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In the Supreme Court of the United States

OCTOBER TERM, 1966

NO. 785

GEORGE H. BUTTERFIELD, SR.,

Petitioner,

v.

THE PLASTIC CONTACT LENS COMPANY, a corporation,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

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RECORD REFERENCES

References to "R" refer to the transcript of record in the case filed with this Court pursuant to Rule 21 of the Supreme Court Rules.

References to "App" refer to the Appendix to this Petition for Writ of Certiorari.

References to "F" and "C" refer to the Findings of Fact and Conclusions of Law, respectively, made by the trial court which are set forth in Appendix D to this Petition for Writ of Certiorari.

As a convenience to this Court, petitioner has added supporting documentation to the Record and Evidence to the Findings of Fact and Conclusions of Law entered by the trial court (R. 104-153) set forth in Appendix D hereto. References to exhibits offered by petitioner Butterfield will be "Ex" and a number designation (e.g., Ex. 1) while references to respondent Plastic's exhibits will be "Ex" and an alphabetical letter (e.g., Ex. RR), as this was the method of identification employed by the trial court. References to "Tr" refer to the trial court transcript.

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TO THE HONORABLE, THE CHIEF JUSTICE AND THE ASSOCIATE JUSTICES OF THE SUPREME COURT OF THE UNITED STATES:

Your petitioner, GEORGE H. BUTTERFIELD, SR., plaintiff-appellee below, respectfully prays that a Writ of Certiorari issue to the United States Court of Appeals for the Ninth Circuit to review a judgment of

that Court, Appendix A to this petition (R. 342), entered August 31, 1966, reversing a judgment of the United States District Court for the District of Oregon, Appendix B (R. 154-163). The United States Court of Appeals for the Ninth Circuit denied plaintiff-appellee's below Petition for Rehearing by order dated October 6, 1966 (R. 344).

CITATIONS TO OPINIONS BELOW

The opinion of the United States Court of Appeals for the Ninth Circuit, — F.2d — (9th Cir. 1966), 151 U.S.P.Q. 84, is set forth in Appendix C to this petition. The United States District Court for the District of Oregon did not write an opinion but the extensive Findings of Fact and Conclusions of Law made by that court (R. 104-153) are set forth in Appendix D hereto. The opinion of the United States District Court for the District of Oregon in prior relevant litigation between these parties is reported at *Solex Laboratories, Inc.* v. *Butterfield,* 202 F. Supp. 461 (D.Or. 1961) and is set forth in Appendix E.

JURISDICTION

Jurisdiction of this Court is based upon 28 U.S.C. 1254.

QUESTION PRESENTED

Should the rationale of *Automatic R. Mfg. Co.* v. *Hazeltine Research,* 339 U.S. 827 (1949) be extended to exempt from the protective bars of the federal anti-trust laws (15 U.S.C. 1, 2) clearly established trade restraint activities of a patent owner and his licensees against a competing patent owner and others, directly affecting over half an industry engaged in interstate commerce, by which activities the patent owner enforces its patent license agreements under a single patent to exact royalties on large quantities of unpatented materials used by the industry to manufacture competitive devices not covered by the licensed patent as well as on large quantities of non-infringing devices covered by a competitor's patent?

STATUTES INVOLVED

15 U.S.C. 1 provides in pertinent part:

"Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal: * * * Every person who shall make any contract or engage in any combination or conspiracy declared by sections 1-7 of this title to be illegal shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding fifty thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court. July 2, 1890. c. 647, § 1,

26 Stat. 209; Aug. 17, 1937, c. 690, Title VIII, 50 Stat. 693; July 7, 1955, c. 281, 69 Stat. 282."

15 U.S.C. 2 provides:

"Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding fifty thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court. July 2, 1890, c. 647, § 2, 26 Stat. 209; July 7, 1955, c. 281, 69 Stat. 282."

15 U.S.C. 15 provides:

"Any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee. Oct. 15, 1914, c. 323, § 4, 38 Stat. 731."

28 U.S.C. 52 (a) provides in pertinent part:

"* * * Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses. * * *"

STATEMENT OF THE CASE

Petitioner instituted this action (R. 1-28) in the United States District Court for the District of Oregon. As more particularly pointed out hereinafter at pp. 8-9, the action is for violation of the federal antitrust laws involving a course of conduct by which respondent is enabled to enforce its patent license agreements to exact royalties on unpatented materials as well as on manufactured devices outside the monopoly of respondent's licensed patent, all in a manner which the trial court found substantially to restrict competition. The action was for an injunction and damages.

The cause was tried, with the result that detailed findings of fact and conclusions of law were entered by the trial judge in favor of petitioner on all of the issues on March 1, 1965 (R. 104-153, App. D, pages 35 to 99). Following the entry of findings of fact and conclusions of law a judgment (R. 154-163, App. B, pages 3 to 16) was entered granting petitioner the injunctive relief prayed for and retaining jurisdiction in the court to fix the amount of petitioner's damages at a subsequent stage of the proceeding.

An appeal was prosecuted by respondent from the injunction judgment so entered, The judgment of the appellate court reversed the judgment of the trial court (R. 342, App. A). Both in the trial court (R. 7) and in the appellate court petitioner urged that the conduct of respondent sought to be enjoined and for which damages were sought constituted violations of the federal antitrust laws, 15 U.S.C. 1 and 15 U.S.C. 2.

Jurisdiction of the trial court below was based upon 28 U.S.C. 1331, 1332, 2201-2202, and 15 U.S.C. 1, 2 and 15.

Petitioner is the owner of "Butterfield" United States Patent No. 2,544,246 (R. 105, F. 1, App. D, page 36), and respondent is owner of the "Tuohy" United States Patent No. 2,510,438 (R. 106, F. 6, App. D, page 37); those patents being for relatively different species of corneal contact lenses (R. 106-108, F. 7, 8, App. D, pages 38 to 41). The two competing patents involved in this litigation are the principal patents in the field of corneal contact lenses. All questions of patent validity and infringement between these parties were concluded by a consent judgment in prior litigation (R. 11-14, F. 22, App. D, pages 49 to 50).

The corneal contact lens industry in the United States comprises some 300 manufacturers (R. 126, F. 33, App. D, page 63). Respondent has license agreements under its "Tuohy" patent with between 160 and 165 or more than half of those manufacturers (R. 125-126, F. 31, App. D, pages 62 to 63), with whom respondent competes through its branches throughout the United States (R. 127, F. 36, App. D, page 64). Respondent is actively engaged as a manufacturer of corneal contact lenses and controls approximately 22 per cent of such business (Ex. 12, page 106).

Respondent's licensing practice requires its licensees to pay a royalty on all types of lenses, whether finished, unfinished, uncut, patented or unpatented (R. 125, F. 29, App. D, pages 61-62) (unfinished and uncut

lenses are unpatented materials used in fabricating complete lenses (R. 124-125, F. 28, App. D, page 61)). By said practice respondent collected $459,314.00 in royalties from April of 1962 when the prior patent litigation between the parties was settled up to June of 1964 when this case was tried below (R. 126, F. 32, App. D, page 63). Petitioner has license agreements with 35 of said manufacturers under his Butterfield patent (R. 126, F. 34, App. D, page 64). The parties compete with each other in the licensing of their respective patents (R. 129, F. 45, App. D, page 68). Respondent is a licensee under petitioner's Butterfield patent having purchased a license from petitioner for $50,000.00 in 1960 (R. 111, F. 14, App. D, page 44). Corneal contact lenses constitute a substantial part of interstate commerce (R. 127-128, F. 40, App. D, page 66).

Insofar as is material to the consideration of this petition, the facts of record are as follows:

In the manufacture of corneal contact lenses under the respective patents of the parties, as well as under other patents, said manufacturers employ unpatented pieces of plastic material known as "uncut and unfinished" items. Said items are pieces of lens material partially manufactured by the manufacturers and carried in stock for future use in lens manufacture, or are sold to lens fitters to be fabricated into lenses of any desired patent. Such unpatented pieces of lens material constitute a substantial part of the commerce between the several states of the United States (R. 124-125, F. 28, App. D, page 61).

Prior to April, 1962, petitioner and respondent were parties to a patent infringement and unfair competition action before the same District Judge that heard the present action. The prior action was concluded in April, 1962, by a Settlement Agreement (R. 15-28, F. 23, 24, App. D, pages 51 to 54) and Consent Judgment (R. 11-14, F. 22, App. D, pages 48 to 50) holding, inter alia, that the Butterfield and the Tuohy patents were valid and that petitioner did not infringe respondent's Tuohy patent.

Part of respondent's accused conduct involved in the prior action, as here, consisted of its misrepresentations to the trade that the Tuohy patent was of a scope covering the lens of petitioner's patent, and that petitioner's patent was inoperative and without utility, for which respondent was under preliminary restraint at the time of the conclusion of the former action. See *Solex Laboratories, Inc.* v. *Butterfield,* 202 F. Supp. 461 (D. Or. 1961) set forth at Appendix E hereto, pages 101 to 107. In both the prior litigation and the trial court below respondent was found to be guilty of continuing many of the improper acts of its predecessor Solex Laboratories, Inc. in its licensing program of the Tuohy patent prior to respondent's purchase of such patent from Solex (R. 110-112, F. 13, 15 and 16, App. D, pages 43 to 45). See *Solex Laboratories, Inc.* v. *Plastic Contact Lens Co.,* 268 F.2d 637 (7th Cir. 1959).

After the Consent Judgment in said former action, respondent's licensees, upon learning of the Consent Judgment, ceased or threatened to cease paying royal-

ties to respondent upon lenses made in accordance with petitioner's Butterfield patent (R. 141, F. 56(a), App. D, page 85). To counteract that cessation of royalty payments, respondent commenced enforcing an interpretation of its license agreements requiring its licensees to pay to respondent royalties on said unpatented materials used in the fabrication of lenses made under petitioner's patent or any other patent. By virtue of that accused practice, respondent was able to exact from its licensees royalties not only on the unpatented materials but also on all finished, fabricated lenses made by its licensed manufacturers regardless of whether said lenses are fabricated in accordance with respondent's patent or any other patent (R. 125, F. 29, App. D, page 62).

To enable it to enforce such an interpretation of its patent license agreements, following said settlement and Consent Judgment in the said former action, respondent engaged in a course of aggravated conduct including coercive suits against its licensees (R. 133-139, F. 50-52, App. D, pages 73 to 82); indemnifying its licensees against infringement of petitioner's patent without limiting the indemnification to infringement claims arising out of the licensees' manufacture of lenses in accordance with respondent's Tuohy patent (R. 144, F. 56, App. D, pages 85 to 88); misrepresentations to the trade as to the terms of the settlement agreement and consent judgment (R. 129, F. 46, App. D, pages 69 to 71 and R. 139-140, F. 54, App. D, page 83); and continuing to misrepresent that its Tuohy patent was of a scope covering petitioner's Butterfield lens (R. 139, F. 53, App. D, pages 82 to 83).

Undisputed evidence of trade witnesses established that the price situation existing in the corneal contact lense industry is such that a manufacturer cannot afford to pay petitioner a royalty under its patent on lenses made in accordance therewith, and also to pay another royalty to respondent on the unpatented materials used in fabricating the lens (R. 127-128, F. 39 and 41, App. D, pages 65 to 66); with the end result that respondent's licensees who also make petitioner's lens, resorted to respondent's indemnification agreement instead of accepting license rights from petitioner (R. 140, F. 55, App. D, pages 83 to 85). At the time of trial the uncontradicted evidence showed that the manufacture and sale of contact lenses is highly competitive with a constant downward price trend with prevailing prices at time of trial being approximately $3.00 per uncut lens and $3.75 per finished lens (R. 127, F. 37, App. D, page 65). The prevailing license rate under respondent's licensing system is 50 cents per lens or per unpatented piece of lens material and the prevailing rate per lens under petitioner's license system is slightly less than that amount (R. 127, F. 38, App. D, page 65). The ordinary manufacturer cannot afford to pay double royalties of approximately $1.00, i.e. almost one-third of the sale price of the lens, without serious economic distress (R. 127, F. 39, App. D, page 65).

Respondent's accused royalty practice also provided it with a competitive advantage over its own licensees inasmuch as respondent does not incur any royalty on the unpatented materials.

Respondent has contended that petitioner has employed a royalty base similar to that of respondent. This assertion is simply not true as evidenced by the findings of the trial court (R. 144, F. 57(c), App. D, page 89 and R. 149, F. 68, 71 and 72, App. D, pages 94 to 95), and as fully set forth in the petition for rehearing (page 3), and petitioner's answering brief (pages 77-79), both in the court of appeals, and both of which petitioner has requested to be certified and lodged with the Clerk of this Court, in addition to the record certified from the Court below.

The trial court below rendered judgment for petitioner against respondent based on findings and conclusions (R. 104-153, App. D, pages 35 to 99) supported by substantial oral and documentary evidence, which included findings that respondent's conduct was in bad faith and effected substantial restraint of competition as well as serious damage to petitioner.

The Court of Appeals below (see Opinion set forth in App. C, pages 17 to 33), in reversing the judgment of the District Court, rejected those findings contrary to the Federal Rules of Civil Procedure, 28 U.S.C. 52 (a), and held that respondent's conduct of exacting royalties under its Tuohy patent on unpatented materials was sanctioned by this Court's opinion in *Automatic R. Mfg. Co.* v. *Hazeltine Research*, supra, despite the fact that respondent had not made any evidentiary showing which could bring the facts of the case within the rationale of said decision by this Court.

REASONS FOR GRANTING THE WRIT

The decision of the Court of Appeals below appears to have decided an important new question of federal law contrary to any rationale which logically can be attributed to the prior decisions of this Court interpreting the federal antitrust law. If allowed to stand, the decision of said court below will constitute a dangerous precedent to other courts in their interpretations of this Court's prior decisions in "patent misuse" and "tie-in" cases and in their application of the doctrine to facts involving attempts by patentees to expand their patents beyond the metes and bounds of the patent grant. More particularly, the court below has interpreted the rationale of this Court's decision in the *Automatic* case as sanctioning the accused activity of respondent in exacting royalties, under a single licensed patent, on unpatented materials used in the manufacture of devices competitive with the licensed patented devices as well as on manufactured devices not covered by the licensed patent, without any showing of any compelling reason for such activities.

As appears from the above statement, several of the reasons set forth in Supreme Court Rule 19 exist for this Court's granting review on writ of certiorari:

I. The Court of Appeals, in approving respondent's royalty base, has decided an important question of federal law in conflict with other opinions of this Court, or

II. If other opinions of this Court have not al-

ready established the invalidity of respondent's royalty base, then the invalidity of respondent's royalty base is an important question of federal law which has not been, but should be, settled by this Court; and

III. The Court of Appeals in failing to honor F.R.C.P. 52(a) by ignoring the well founded findings of fact made by the trial judge, has so far departed from the accepted and usual course of judicial proceedings as to call for an exercise of this court's power of supervision.

These reasons, in their application to this case, may be amplified as follows:

1. The Appellate Court opinion (App. C, pages 17 to 33) erroneously misconstrues and applies the decision of this Court in *Automatic*, supra, to validate the admitted conduct of respondent in enforcing its all-inclusive patent royalty base as covering large numbers of unpatented devices and devices falling under the claims of competing patents (R. 125, F. 29, App. D, pages 61 to 62).

2. The Appellate Court erroneously failed to apply the doctrines condemning conspiracies to restrain trade and to monopolize trade recognized in many patent misuse cases decided in this court, such as *Mercoid Corp.* v. *Mid-Continent Invest. Co.*, 320 U.S. 661 (1943), *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U.S. 502 (1916) and *Morton Salt Co.* v. *G. S. Suppiger*, 314 U.S. 488 (1941), as requiring a conclusion that the federal antitrust laws have been violated by respondent's enforced royalty base, when considered

alone or in connection with the associated acts of misconduct found by the trial court.

3. Substantial and novel questions of public importance are involved because neither the decision in *Automatic*, supra, cited in (1) above, nor the decisions in the cases from this court involving patent misuse, cited in (2) above, necessarily determine the question as to whether or not a patent license royalty base including both unpatented articles and those covered by competing patents in the same field, made effective through a system of license contracts and indemnity agreements with numerous licensees, engaged in interstate commerce, violate the antitrust laws. The Appellate Court opinion thus sought to be reviewed by this petition creates widespread uncertainty as to the proper application of the antitrust laws in the field of patent license royalty practice and contracts.

Reasons I and II for granting the writ, as expressed above, both involve a determination of the scope and effect of the *Automatic R. Mfg. Co.* v. *Hazeltine Research*, 339 U.S. 827 (1949), sometimes referred to herein as "*Automatic.*" Petitioner contends that, to the extent *Automatic*, supra, allowed the collection of royalties on unpatented items, it was a narrow exception to the rule prohibiting an unlawful extension of a patent over unpatented items and may not serve as support for the validity of respondent's royalty base as *Automatic* is clearly distinguishable on its facts and legal principles from the instant case for the reasons set forth below:

First, that case involved a license agreement covering seven hundred and seventy (770) (not just one as here) patents and applications of the licensor, all or part of which were likely to be used in the business of the licensee. Obviously, it was an extreme case where difficulties of accounting were said to justify a royalty based on a percentage of licensee's sales. Even there, the license was based on a percentage of sales of fully manufactured devices rather than being directly tied to each unfinished and unpatented sales unit.

Second, there was no showing in the *Automatic* case that sales of the licensee included items falling under the teachings of patents held by others, competing with the licensor, as is true in the case at bar, where many of respondent's licensees were making and selling Butterfield-type lenses and declining to deal with petitioner because of their unwillingness or inability to pay a double royalty (R. 128, F. 41, App. D, page 66).

Third, there were no findings of fact, as there are here, that the licensor was guilty of other contemporaneous trade restraint activities set forth in the "Statement of the Case," see p. 9, in combination with the challenged royalty base, all directed against a competitor, with both the wrongful intent and effect of discouraging and preventing the licensee from doing business with the competitor, even though such licensee infringed the competitor's patent. This Court, in *Automatic*, supra, clearly inferred that, if other wrongful acts, such as those present in the case at bar, had accompanied the method of measuring royalties involved in the license approved

in *Automatic,* supra, such license would have been illegal as a misuse of patents, for at p. 834 of this Court's opinion in *Automatic,* supra, this Court specifically limited its holding by stating:

> "* * * *We hold* that in licensing the use of patents to one engaged in a related enterprise, *it is not per se* a misuse of patents to measure the consideration by a percentage of the licensees sales." (Emphasis supplied)

Fourth, the attack in *Automatic,* supra, was by a licensee, under the challenged royalty agreement, in an action by the licensor to collect royalties. The case did not, as does the case at bar, involve an attack by a competitor of the licensor asserting that the royalty base, under all the facts, illegally restrained trade, to the detriment of the competitor and the public. The Court, therefore, was not faced with any real challenge that the royalty provision restrained trade illegally as against a competitor, or even, that it tended to create a monopoly to the detriment of a competitor.

In *Automatic,* supra, at pp. 832-833, the Court stated that an extenuating circumstance was that the license did not place any restraint upon competition. Here, while respondent's contract does not expressly place any restraint upon competition, respondent uses it to exact from its licensees a royalty on all lenses, even if made under the Butterfield patent, and even on unpatented materials necessarily used in the manufacture of competing lenses (R. 125, F. 29, App. D, pages 61 to 62). That, therefore, has the direct effect of placing a restraint upon competition because, as the evidence shows,

the market conditions are such that a manufacturer cannot pay one royalty on the unpatented materials and another royalty on the finished lenses, or double royalty (R. 127-128, F. 39 and 41, App. D, pages 65 to 66).

The facts of the instant case are not identical with those involved in the patent license "tie-in cases" such as *Mercoid Corp.* v. *Mid-Continent. Invest. Co.,* 320 U.S. 661 (1943) or in the patent license price fixing cases such as *United States* v. *Univis Lens Co.,* 316 U.S. 241 (1941), or in the patent license cases involving contracts not to use competing devices falling beyond the scope of the licensed patent, such as *McCullough* v. *Kammerer Corporation,* 166 F.2d 759 (9th Cir. 1948) and *National Lockwasher Co.* v. *Garrett Co.,* 137 F.2d 255 (3rd Cir. 1943). However, the reasoning of those decisions condemns as violative of the antitrust laws any attempt by a patentee to extend his patent monopoly so as to suppress competition or acquire monopoly outside the area of the patent itself, and they further condemn any particular form or method by which the monopoly is sought to be improperly extended. The underlying philosophy of such cases, reasonably extended to the facts of this case, should logically invalidate the challenged royalty base here, which covers large quantities of unpatented articles and articles falling under the teachings of an admittedly valid competing patent (R. 115, F. 22, App. D, page 50).

Also see *Hazeltine Research, Inc.* v. *Zenith Radio Corporation,* 239 F. Supp. 51, 77-78 (N.D. Ill., E.D., 1965) as illustrative of the illegality of an attempt to

extend a patent monopoly to collect royalties on goods not within the teachings of the patent. The court therein found violations of the antitrust laws under factual circumstances analagous to those of the instant case and the briefs of counsel therein make it clear that such court refused to extend *Automatic R. Mfg. Co.* v. *Hazeltine Research,* 339 U.S. 827 (1949) beyond the narrow limits of such opinion. And see *United States v. Loew's Inc.,* 371 U.S. 38, 46-47 (1962), a copyright tie-in case, where this court, after citing *Mercoid,* supra, and other "tie-in" cases, explained the philosophy of such cases and their application to antitrust law as follows:

> "These cases reflect a hostility to use of the statutorily granted patent monopoly to extend the patentee's economic control to unpatented products. The patentee is protected as to his invention, but may not use his patent rights to exact tribute for other articles.
>
> "Since one of the objectives of the patent laws is to reward uniqueness, the principle of these cases was carried over into antitrust law on the theory that the existence of a valid patent on the tying product, without more, establishes a distinctiveness sufficient to conclude that any tying arrangement involving the patented product would have anti-competitive consequences."

It is difficult to reconcile the Appellate Court's application of *Automatic,* supra, to facts which seem to require a conclusion of antitrust violation, particularly when these facts involve a combination of the challenged royalty practice with other contemporaneous trade restrait activities.

Nevertheless, the Court of Appeals below construed the rationale of *Automatic,* supra, to sanction respondent's accused conduct described in the "Question Presented," which petitioner submits to be erroneous.

It is submitted that a more accurate description of the rationale of *Automatic,* supra, is that it only sanctions an exception to the federal antitrust laws under the peculiar and extraordinary facts and circumstances of that action. If the rationale of that case is otherwise, it would be difficult to reconcile it with this Court's decision in *B. B. Chemical Co.* v. *Ellis,* 314 U.S. 495, 498 (1942) wherein this Court said:

> "The patent monopoly is not enlarged by reason of the fact that it would be more convenient to the patentee to have it so or because he cannot avail himself of its benefits within the limits of the grant."

The court of appeals' decision in this case is not only in conflict with *B. B. Chemical* v. *Ellis,* supra, but is also in conflict with this Court's opinions in *Automatic,* supra, when properly applied, and the philosophy of the "tie-in" cases such as *Mercoid Corp.* v. *Mid-Continent. Invest. Co.,* 320 U.S. 661 (1943) which were distinguished in *Automatic,* supra, at p. 834 but *not* overruled; and related types of cases, such as *Carbice Corp.* v. *American Patents Develop. Corp.,* 283 U.S. 27 (1930), and *Leitch Mfg. Co.* v. *Barber Co.,* 302 U.S. 458 (1938) which stand for the proposition that no matter how convenient or desirable it might be to do so, in the licensing of a patent, the patent owner must not extend

or overstep the lawful bounds of his patent monopoly by tying his royalty base to the payment of royalties on unpatented, staple articles of commerce. The reasons given by this Court for distinguishing the cases relied upon by petitioner in *Automatic,* supra, are not present in this case and the appellate court's opinion is in conflict with such authorities.

The language used by Justice Douglas in his dissent with the concurrence of Justice Black, in *Automatic* at p. 838-839 is applicable to respondent's royalty base which exacts tribute in the form of royalties on all lenses, whether within the teachings of its patent or not. Justices Douglas and Black said:

> "The patent owner has used the patents to bludgeon his way into a partnership with those licensees, collecting royalties on unpatented as well as patented materials."
>
> "A plainer extension of a patent by unlawful means would be hard to imagine."
>
> * * * * *
>
> "* * * But what worse enlargement of monopoly is there than the attachment of a patent to an unpatentable article? When we consider the constitutional standard, what greater public harm than that is there in the patent system?

If *Automatic,* supra, and other opinions of this Court do not already make respondent's royalty base invalid, petitioner submits that the paramount public interest in patent monopolies renders it extremely important and timely that this Honorable Court clearly and definitely define the limits of the rationale of the

Automatic, supra, case lest the decision below will afford patent owners an excuse for unlawfully expanding patents beyond the legitimate monopolies for which they were granted, despite the restrictive effect of such conduct upon competition.

Petitioner submits that much of the claimed error of the Appellate Court below arose out of the latter court's failure to interpret the rationale of the *Automatic* case in the light of the ignored, amply supported, findings of fact of the trial court as to the substantial adverse effect of respondent's conduct on competition, and in the light of the trial judge's opportunity, in a prolonged course of litigation, to appraise the wrongful motives and intents of respondent.

CONCLUSION

Petitioner, for the reasons stated above, requests that this Petition for Writ of Certiorari be granted.

Respectfully submitted,

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APPENDIX A

UNITED STATES COURT OF APPEALS
For the Ninth Circuit

THE PLASTIC CONTACT LENS COMPANY, a corp.,
Appellant,

vs. No. 20,212

GEORGE H. BUTTERFIELD, SR.,
Appellee.

APPEAL from the United States District Court for the.....District of Oregon.

THIS CAUSE came on to be heard on the Transcript of the Record from the United States District Court for the.....District of Oregon and was duly submitted.

ON CONSIDERATION WHEREOF, It is now here ordered and adjudged by this Court, that the..... judgment of the said District Court in this Cause be, and hereby is reversed and that this cause be and hereby is remanded to the said District Court with directions.

Filed and entered August 31, 1966.

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APPENDIX B

UNITED STATES DISTRICT COURT
DISTRICT OF OREGON

GEORGE H. BUTTERFIELD, SR.,	)	
Plaintiff,	)	CIVIL No. 63-294
vs.	)	
THE PLASTIC CONTACT LENS COMPANY, a corporation,	)	JUDGMENT
Defendant.	)	

This action came on for trial on June 22, 1964, the Plaintiff appearing through R. R. Bullivant and Douglas G. Houser, his attorneys, and the Defendant appearing through James C. Dezendorf, Dugald S. McDougall and Irwin Panter, its attorneys. After the production of evidence upon behalf of both Plaintiff and Defendant, and at the conclusion of the trial, the Court directed each party to submit proposed Findings of Fact and Conclusions of Law. After exhaustive study and analysis of the record, including the Findings of Fact and Conclusions of Law proposed by Plaintiff and Defendant, the Court made and entered detailed Findings of Fact and Conclusions of Law dated March 1, 1965, in favor of the Plaintiff and against the Defendant.

By these Findings of Fact and Conclusions of Law, the Court has finally disposed of all claims for relief and counterclaims involved herein as set forth either in the pleadings or the pre-trial order except that the

Court has reserved the holding of an accounting to fix the amount of Plaintiff's damages growing from the conduct of Defendant found to have been wrongs committed by Defendant against the Plaintiff, which conduct is also the subject of the permanent injunction hereafter set forth. The Court hereby expressly determines, within the meaning of Rule 54 of the Federal Rules of Civil Procedure, that there is no just reason for delay in entering final judgment on all of such matters now determined by the Court, and the Court hereby expressly directs the entry of final judgment on all of the matters herein set forth save only the amount of Plaintiff's damages to be determined in an accounting as in the Findings and Conclusions and hereinafter set forth.

The Findings of Fact and Conclusions of Law heretofore entered among other things set forth that an interlocutory decree should be entered permanently enjoining and restraining the Defendant in the particulars hereafter set forth. Now, therefore, it is hereby

CONSIDERED, ORDERED, ADJUDGED AND DECREED that Defendant, The Plastic Contact Lens Company, a corporation, and each and all of its officers, agents, servants, employees and privies, be and they hereby are and each hereby is permanently enjoined and restrained from:

(a) The making of any type of representation, including non-disclosure or concealment, concerning the scope, qualities or characteristics of the Butterfield Patent, U. S. Patent No. 2,544,246, or the scope, qualities

or characteristics of the Tuohy Patent, U. S. Patent No. 2,510,438, or the scope, qualities or characteristics of each of said Patents, when compared with the other, except in accord with the following in its entirety:

"There are material and substantial differences between the Tuohy and Butterfield Patents so that a lens made in accordance with the Butterfield Patent does not infringe the Tuohy Patent, and a lens made in accordance with the Tuohy Patent does not infringe the Butterfield Patent.

"(1) A corneal contact lens is a transparent object worn directly on the cornea, being held thereon by capillary attraction with the tear fluid between the lens and the cornea. All corneal contact lenses are concavo-convex in cross-section and are smaller in diameter than the diameter of the limbus of the eye, which is the area surrounding the cornea between the cornea and the white of the eye. The human cornea is shaped more like a parabola "than a segment of a sphere, in that its central or optical zone is substantially spherical while the marginal portion of the cornea flattens out toward its periphery. The corneal surface, however, has microscopic irregularities.

"(2) The Butterfield lens is also substantially parabolic on its concave side, so that it follows closely the shape of the cornea. That is, its central portion conforms to the optical zone of the cornea in such manner that it does not exert undue pressure, and its marginal portion so corresponds to the marginal zone of the cornea that it provides uninterrupted flow of tear or lach-

rymal fluid. This relationship to the cornea is brought about by the concave surface of the lens being defined by at least two concentric curves of relatively different radii of curvature. The lens of the Butterfield Patent is known in the trade as the 'bi-curve conforming type.'

"The cornea inherently has surface irregularities and, therefore, exact conformity is neither required nor intended. Only approximate conformity and correspondence are intended, as shown by the following language of the Butterfield Patent specification:

> " 'The applicant, by providing a lens whose contact surface is very close to the shape of the eyeball, has brought about the ideal corneal contact lens condition.'

"The Butterfield Patent contains two claims, the broadest of which reads as follows:

> " '1. A corneal contact lens of concavo-convex form in section and of a size to lie within the area defined by the limbus having an inner central spherical area conforming to the corresponding area of the cornea to which the lens is applied so that undue pressure will not be present at any point, the remainder of said inner surface extending, radially outward toward the limbus being formed on a curve different from that of said central area and corresponding in curvature with that portion of the corneal peripheral area to which the lens is applied, whereby space is provided for the natural uninterrupted circulation of lacrimal fluids between said lens and the cornea.'

"(3) The Tuohy Patent, on the other hand, describes and claims a lens whose concave surface is de-

fined by a single spherical curve of a radius 'flatter,' or of sufficiently longer radius than that of the cornea so as to provide a gradually increasing clearance or tear space between the lens and cornea radially outwardly from the center. The lens of the Tuohy Patent is known in the trade as the 'flatter type lens.'

"Thus the Tuohy lens is the opposite of the Butterfield lens, in that it has a loose or flatter fit as distinguished from the conforming type fit of the Butterfield lens.

"Claim 1 of the Tuohy Patent reads as follows:

> "'1. A contact lens applicable to the human eye comprising a concavo-convex lens formed of light-transmitting material having a marginal size smaller than the limbus portion of the eye to which it is applicable but larger than the maximum iris opening, said lens having a radius of curvature on its concave side slightly greater than the radius of curvature of the cornea to which it is applied so that radially from the center of the lens there will be a small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea, said lens being ground to correct for visual deficiency.'"

(b) The making of any type of representation, including non-disclosure or concealment, concerning the terms of the settlement of the former action between the parties, Civil 60-107, in the District Court of the United States for the District of Oregon, except in accordance with the following statement of the terms of said settlement, in its entirety:

"(1) The former litigation between the parties was settled by a duly entered consent judgment, a filed stipulation of facts and matters, a filed stipulation for dismissal of counterclaim, and an unfiled settlement agreement. The consent judgment was entered May 10, 1962, and the stipulation of facts and matters on which it was based, as well as the unfiled settlement agreement, were dated April 24, 1962.

"(2) The entered consent judgment, in pertinent part, provides:

"'IT IS HEREBY ADJUDGED AND DECREED as follows:

"'1. Plaintiff-counterdefendant The Plastic Contact Lens Company is an Illinois corporation having its principal place of business in Chicago, Cook County, State of Illinois.

"'2. Plaintiff-counterdefendant Solex Laboratories, Inc. was, up to May 12, 1961, a California corporation, having its principal place of business in Los Angeles, County of Los Angeles, State of California.

"'3. On or about May 12, 1961, plaintiff-counterdefendant The Plastic Contact Lens Company, became successor in interest to and caused said Solex Laboratories, Inc. to be dissolved and assumed all rights and obligations of said Solex Laboratories, Inc. arising out of this action.

"'4. Defendant-counterclaimant George H. Butterfield, Sr. is a resident of Portland, Multnomah County, State of Oregon.

"'5. Defendant-counterclaimant Geo. H. But-

terfield & Son is an Oregon corporation, having its principal place of business in Portland, Multnomah County, State of Oregon.

" '6. This Court has jurisdiction over the parties and the subject matter of this action.

" '7. Plaintiffs' complaint is dismissed with prejudice as to the defendant George H. Butterfield, Sr.

" '8. Counterdefendant The Plastic Contact Lens Company is a licensee under U. S. Letters Patent in suit No. 2,544,246.

" '9. Defendant Geo. H. Butterfield & Son is a licensee under U. S. Letters Patent in suit No. 2,510,438.

" '10. U. S. Letters Patent in suit No. 2,510,438 are good and valid in law as between plaintiffs and counterdefendant Geo. H. Butterfield & Son.

" '11. United States Letters Patent in suit No. 2,544,246 are good and valid in law as between counterclaimant George H. Butterfield, Sr. and the plaintiffs-counterdefendants.

" '12. Within six (6) years immediately preceding May 12, 1961, said counterdefendant Solex Laboratories, Inc., infringed U. S. Letters Patent No. 2,544,246 and counterdefendant The Plastic Contact Lens Company has made full settlement of and for damages suffered by counterclaimant George H. Butterfield, Sr. from and by virtue of said infringement.

" '13. All matters of costs, attorneys' fees and all other financial recoveries involved in or arising out of this action have been settled and satisfied out of court by and between the parties and the parties have waived judgement therefor.

"'14. The parties having waived injunctive relief, no injunctive relief is granted by this judgment.

"'15. The injunction pendente lite which has been issued out of and under the seal of this Court against plaintiffs-counterdefendants pursuant to the Court's order of September 19, 1961, is hereby dissolved and the surety bond posted as security therefor by defendant counterclaimant George H. Butterfield, Sr. is hereby exonerated and released.'

"(3) The stipulation of facts and matters which was filed in court as a basis for the entry of the consent judgment, so far as here material, contained provisions coincident with the above provisions of the consent judgment. The only relevant additional matters provided for in it were:

"(a) That Butterfield and Butterfield & Son should dismiss with prejudice all counterclaims set forth in the amended and supplemental answer and counterclaim except the counterclaim for infringement of the Butterfield Patent.

"(b) That Butterfield, the individual, has not infringed the Tuohy Patent.

"(c) That by license agreement between Plastic and Butterfield dated May 6, 1960, Butterfield granted a license to Plastic under the Butterfield Patent, that said license agreement has been and still is in full force and effect and that, therefore, no judgment for infringement should be entered in favor of Butterfield against Plastic for infringement by Plastic of Butterfield's Patent other than for the infringement of said Patent by Solex prior to May 12, 1961.

"The consent judgment and stipulation recognized that substantial infringement of the Butterfield Patent had been made by Solex.

"(4) The unfiled settlement agreement, except for the formal dismissal of the counterclaim of Butterfield and the corporation, Butterfield & Son, completes the important settlement documents. Its provisions, so far as here relevant, were as follows:

"(a) Provision is made in the agreement for the precise form of stipulation of facts and matters and consent judgment to be presented to the Court. The forms attached to the agreement are identical with those filed and entered in court.

"(b) That Solex has infringed the Butterfield Patent and as settlement for damages suffered by Butterfield from such infringement Plastic:

"(i) Releases any claims against Butterfield or Butterfield & Son for infringement of the Tuohy Patent;

"(ii) Conveyed to Butterfield the right to grant Butterfield & Son a royalty-free license under the Tuohy Patent;

"(iii) Conveyed to Butterfield the right to grant royalty-free Tuohy licenses to Butterfield licensees, Titmus, Rogers, Sloan and Utah Optical;

"(iv) Agreed to dismiss with prejudice the pending actions by Plastic against the Butterfield licensees, Titmus and Rogers; and

"(v) Agreed to pay to Butterfield the sum

of $6,000.00. (This latter sum is clearly allocated in the settlement agreement to the part payment of infringement damages suffered by Butterfield from infringement by Solex.)

"(c) Plastic further agreed, as part of the settlement above set forth for Butterfields' infringement claims against Solex, to pay the sum of $60,000.00 in three installments, two in 1962 and the balance January 2, 1963. (This $60,000.00 sum is separate from and in addition to consideration to be paid by Plastic for infringement of the Butterfield Patent.)

"(d) That nothing contained in the settlement agreement should prevent either Plastic or Butterfield from soliciting licensees of the other or from bringing suit against such licensees for infringement of their respective patents.

"(e) Butterfield gave to Plastic the right to grant to a Plastic licensee, Ocular Products, Inc., of Seattle, Washington, a royalty-free license under the Butterfield Patent.

"(f) Butterfield and Butterfield & Son shall file a dismissal with prejudice of their counterclaims except the second counterclaim seeking damages for infringement of the Butterfield Patent.

"(g) Each party thereby released 'any and all claims or causes of action which he or it has or may have against each of the other parties arising out of the action or the subject matter of the action.'"

(c) The enforcement or use, by any means or meth-

od, either under existing or future agreements, by claim or otherwise, of a royalty base in its license agreements covering the Tuohy Patent, U. S. Patent No. 2,510,438, or covering any other patent, by which the amount of royalty payable to Defendant is measured by or computed upon lenses or devices, finished or unfinished, patented or unpatented, other than those made under the teachings of said Tuohy Patent;

(d) The continued use, either under existing or future agreements with its licensees or prospective licensees, of indemnity agreements or offers, offering to indemnify or indemnifying licensees of Defendant either partially or totally against claims for infringement of the Butterfield Patent, U. S. Patent No. 2,544,246, or claims for infringement arising from the use or manufacture of any device not made in accordance with the teachings of the Tuohy Patent, U. S. Patent No. 2,510,-438;

(e) The institution, maintenance, prosecution or continued institution, maintenance or prosecution of actions or suits against licensees of Defendant or Plaintiff and others wrongfully and without foundation charging alleged conspiracy with Plaintiff or with others and the assertion of damages therefor, including, but not limited to, the following pending actions:

(1) The Plastic Contact Lens Company, a corporation, vs. Richard Hunt, Marco Lens Co., a corporation et al, Civil Action No. 528,952 in the Superior Court of the State of California in and for the City and County of San Francisco, Ex. 60.

(2) Wesley-Jessen Inc., a corporation, and The Plastic Contact Lens Company, a corporation, Plaintiffs and Cross-Defendants, vs. Con-Cise Lens Co., Defendant and Cross-Complainant, Civil Action No. 528,422, in the Superior Court of the State of California in and for the City and County of San Francisco, Ex. 137-B.

In the Findings of Fact and Conclusions of Law heretofore entered, the Court has determined that the acts of Defendant hereinbefore enjoined are wrongful, in tortious violation of Plaintiff's rights, and illegal restraints on trade, violations of Federal anti-trust laws against acts in restraint of trade, and are unfair competition, that such acts, until such time as they shall be enjoined, have directly and proximately caused Plaintiff substantial and irreparable injury and damage, and the Court has further directed in such Findings of Fact and Conclusions of Law that an accounting be had to fix the amount of Plaintiff's damages growing from such acts and conduct and that a judgment be entered after such accounting, for thrice the amount of such damages as flows from violation of the Federal Acts against restraints on trade and for other damages, plus a reasonable amount to be recovered by Plaintiff from Defendant for attorneys' fees. Therefore, it is hereby further

CONSIDERED, ORDERED AND ADJUDGED that ruling is reserved on the amount of damages sustained by Plaintiff as a direct and proximate result of such acts and conduct by Defendant and as to the amount of attorneys' fees to be awarded to Plaintiff;

provided, however, that it is now Considered, Adjudged and Ordered that Plaintiff is entitled to recover judgment from Defendant for thrice the amount of the damages Plaintiff has sustained as a proximate result of Defendant's conduct in violation of the Federal laws against restraints on trade, as may be determined by such accounting to be hereafter held, plus reasonable attorneys' fees to be allowed to the Plaintiff, and that an accounting shall be hereafter held, at a time to be fixed by the Court, to determine all of Plaintiff's damages and that thereafter judgment shall be entered accordingly in favor of Plaintiff against Defendant for such damages, attorneys' fees and costs, the costs so to be recovered to be those incurred in connection with said accounting.

In the Findings of Fact and Conclusions of Law heretofore entered, the Court found and determined that the evidence did not sustain any of the charges set forth in the counterclaim asserted by Defendant against Plaintiff either as set forth in the pleadings or as set forth in the pre-trial order, and that the charges made in such counterclaim were untrue. It is therefore

CONSIDERED, ORDERED AND ADJUDGED that Defendant shall have and receive no relief whatsoever from the Plaintiff by virtue of the matters set forth in its said counterclaim and that such counterclaim be and the same hereby is dismissed, with prejudice. It is further

CONSIDERED, ORDERED AND ADJUDGED that Plaintiff have and recover of and from Defendant

judgment for its costs incurred herein up to the date of the entry of this judgment order, subsequent costs on the accounting for damages to be allowed on the conclusion of said accounting, and entry of judgment thereon.

Inasmuch as the Court, pursuant to the provisions of Rule 54, has determined that there is no just reason for delay in the entry of final judgment on the matters herein set forth, and has expressly directed the entry of judgment as to the matters herein set forth, this shall stand as the final judgment of the Court as to all such matters, reserving only the accounting for damages, and the entry of judgment thereon, and for Plaintiff's attorneys' fees and costs as previously set forth.

Dated this 23rd day of April, 1965

/s/ JOHN F. KILKENNY
District Judge

APPENDIX C

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

THE PLASTIC CONTACT LENS COMPANY a corporation, *Appellant*,
vs.
GEORGE H. BUTTERFIELD, SR. *Appellee*. No. 20,212

[August 31, 1966]

Appeal from the United States District Court for the District of Oregon

Before: POPE, BROWNING, and ELY, Circuit Judges

ELY, Circuit Judge:

Each of the parties owns a patent pertaining to the design and construction of corneal contact lenses. Appellant, the defendant below and hereinafter called Plastic, holds the rights to the so-called Tuohy patent, Number 2,510,438. It is senior to that called the Butterfield patent, Number 2,544,246, owned by George H. Butterfield, Sr. As plaintiff, Butterfield was successful in the court below, and Plastic appeals.

The present dispute follows a long history of controversy arising from conflicting claims pertaining to the two patents and their scope. A part of the history is interwoven with contentions in the present litigation and must be briefly reviewed.

Plastic acquired its rights to the Tuohy patent in

November, 1960, when it purchased all of the capital stock of Solex Laboratories, the previous owner of the patent. Before that time, Solex had sued Plastic, alleging that the latter had infringed the Tuohy patent. In that action, Plastic challenged the validity of the patent which it now owns. See *Solex Labs, Inc.* v. *Plastic Contact Lens Co.*, 268 F.2d 637 (7th Cir. 1959).

Before the transfer of its ownership to Plastic, Solex had sued Butterfield and George H. Butterfield & Son, a corporation in which Butterfield was the majority stockholder, in the United States District Court for the District of Oregon. That suit, in which Solex alleged infringement of the Tuohy patent, was pending when Plastic purchased Solex, and Plastic became a party plaintiff. Before its purchase of Solex, Plastic had, in May, 1960, purchased from Butterfield a license under which it might employ the Butterfield patent. The Oregon suit into which Plastic had moved as plaintiff ended by compromise in April, 1962. *Solex Labs, Inc.* v. *Butterfield,* 202 F. Supp. 461 (D. Or. 1961). Pursuant to the agreement there was entered, with the consent of the parties, a judgment in which it was declared that the Butterfield patent was valid, that it had been infringed by Solex, Plastic's predecessor, and that the amount of infringement damages had been settled by agreement between Butterfield and Plastic. Under the terms of the compromise, Butterfield and the Butterfield corporation dismissed, with prejudice, all claims against Plastic (other than the settled infringement claim against Solex) and granted to Plastic a royalty-free license to the Butterfield patent. In exchange, Plastic re-

leased Butterfield, his licensees, and the Butterfield corporation from all claims of infringement of the Tuohy patent to the date of the agreement, gave to Butterfield the right to grant royalty-free licenses under the Tuohy patent to four Butterfield licensees and to the Butterfield corporation, so long as it was held by the Butterfield family, and agreed to pay Butterfield the sum of approximately $66,000. It was specifically agreed that both Plastic and Butterfield might, by solicitation, seek to enter into license agreements with existing licensees of the other and that both might enforce their rights to their respective patents against such licensees in the future.

Against the foregoing background, we now look at the present suit, filed by Butterfield in July, 1963, only fifteen months after the "settlement" of the previous litigation. In his complaint, Butterfield, seeking an injunction and damages, alleged his grievance in three causes of action. In the first, it is charged that certain acts of Plastic, committed following the settlement agreement of April, 1962, and committed "unlawfully, deliberately, and in bad faith," constitute unfair competition. In the second, it is alleged that certain acts of Plastic, specified in the first cause of action, constitute actionable interference with contractual relationships existing between Butterfield and his licensees. In the third, Plastic is accused of having breached the settlement agreement and having also, by certain of the acts specified in the first cause of action, violated antitrust laws of the United States.

Plastic filed an answer in which, generally, it denied Butterfield's accusations of wrongful acts. It also interposed a counterclaim in which it made charges against Butterfield which are somewhat similar to those made by Butterfield against it and in which it prayed for damages, as well as for injunctive relief. The jurisdiction of the District Court rested upon diverse citizenship of the parties and the requisite amount in controversy. Following trial, the court made factual determinations and arrived at legal conclusions which supported the contentions of Butterfield in all substantial respects. It issued an injunction against Plastic and, ordering that there be an accounting, adjudged that upon the determination of Butterfield's damages, the amount thereof be trebled. Plastic appeals, invoking our jurisdiction under 28 U.S.C. § 1292(a)(1).

In their briefs, the parties devote much of their discussion to the relative merits and scopes of their respective patents. The trial court also directed much of its attention to these considerations, and some of the findings and conclusions appear to be predicated upon the resolution of conflicting claims in this connection. In the posture of the case as cast by the pleadings, we see much of the evidence as being of little relevance. There is, of course, a technical difference in the arts defined in the two patents. The Tuohy patent calls for a contact lens which, on its inner surface, has a curve of greater radius than the portion of the eye which it covers. This is to provide "a small but gradually increasing clearance" between the lens and the tissue of the eye, thus allowing for lubrication which is claimed to be desirable.

Certain of Butterfield's original claims, having been rejected as "unpatentable over Tuohy" were abandoned, and the finally acquired Butterfield patent generally discloses a contact lens with two or more concentric curves on the inner surface, designed to conform to the eye's underlying curvature throughout the area covered by the lens. As we have recited, the Tuohy patent was senior. Challenges to its validity have been previously rejected and courts, including ours, have hailed it as pioneer. *Pacific Contact Labs, Inc.* v. *Solex Labs, Inc.*, 209 F.2d 529 (9th Cir. 1953). See also *Solex Labs, Inc.* v. *Graham*, 165 F. Supp. 428 (S.D. Cal. 1958). The characterization bears significance, for our court wrote, long ago,

> "If pioneers, they [a patent's owners] would be entitled to a broad and liberal construction, if, mere improvers, the claim would only be entitled to a narrower interpretation."

Los Angeles Art Organ Co. v. *Aeolian Co.*, 152 Fed. 880, 882 (9th Cir. 1906). Here, the District Court determined that the Tuohy patent was not a pioneer, basing its findings upon a publication of prior art not brought to the attention of the courts which had previously held to the contrary. The publication is an article from the April, 1936, issue of Fortune magazine. The article does recite that corneal contact lenses were known before the time of the Tuohy patent, but we do not read the article as negating the novelty of Tuohy's invention. The opinions in both *Pacific Contact Labs, Inc., and Solex Labs, Inc., supra*, reveal that much consideration was given to the existence of prior art.

The evidentiary material in those cases was detailed, complicated, and technical, while the Fortune article, worthy for its enlightenment of lay readers, is comparatively superficial.[1] It is emphasized in the findings that the Butterfield patent was not involved in the prior litigation in which two courts determined that Tuohy was pioneer. This would not seem to be significant, since the issuance of Butterfield's patent followed the grant of Tuohy's and could not have affected the validity of the Tuohy patent, or, of itself, prevented the determination that Tuohy was pioneer.

Having erroneously determined that the Tuohy patents was not a pioneer and thus not subject to the requirement that it be accorded a liberal interpretation, the District Court went on, in its eleventh conclusion, to hold,

"Plastic is estopped to assert that the Butterfield

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[1] It is interesting to note that some of the same counsel representing the parties challenging the validity of the Tuohy patent in the prior cases are, here again, challenging its scope. In *Solex Labs, Inc.* v. *Graham, supra,* the court commented,

> "Some of the same counsel who represented the infringer in the Pacific Contact Laboratories, Inc. v. Solex Laboratories case appear for the defendants in this case and contend that not all the prior art was brought to the attention of the Court in that case. . . . These omissions from the briefs in the earlier case were unimportant for the newly cited art does not add anything of worth to defendants' case. . . . Not one of the cited examples of prior art teaches a radius of curvature on its concave side slightly greater than the radius of curvature of the cornea to which it is applied so that radially from the center of the lens there will be a small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea. . . . This was new in the contact lens art and the discovery of how to accomplish it was invention."

Solex Labs, Inc. v. *Graham, supra,* 165 F. Supp. at 433-34.

> lens is covered by any claim of the Tuohy patent by the rule of patent construction, often referred to as 'File Wrapper Estoppel,' that a claim in a patent must be read and interpreted with reference to claims that have been cancelled or rejected."[2]

Applied to the facts of this case, the conclusion is erroneous. Tuohy, in its application, abandoned no claims which were later successfully presented by Butterfield, the junior patentee. As we have previously noted, certain of the original Butterfield claims were rejected because of the prior grant to Tuohy and were abandoned. Of course, the principle of file wrapper estoppel is applicable in interpreting the scope of the Tuohy patent or any other, but it could not here be invoked to bar a contention by Plastic that its Tuohy patent covered the lenses being manufactured under licenses granted by Butterfield.[3]

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[2] The conclusion followed the court's Finding of Fact No. 12 (a), which reads,

> "(a) The file wrapper of the Tuohy Patent, Ex. 113, discloses that patentee Tuohy surrendered broader claims in order to obtain allowance of the two claims which matured as the claims of his patent, and therefore Plastic is estopped to assert for the Tuohy Patent any broader scope than is defined by the two claims of the patent."

Factors which would necessarily require consideration in the ascertainment of the scope of the patent are the claims, both surrendered and matured, and the pioneer classification.

[3] The District Court correctly held that Plastic is estopped from challenging the validity of the Butterfield patent. This is so because Plastic is a licensee and licensees may not attack the validity of the licensor's patent. IV Walker, Patents § 403 (2d Deller ed. 1965). However, the court erred when it went on, in its conclusion, to hold that Plastic is also estopped to challenge the operative effect or utility of the Butterfield patent. The law is quite clear that while a licensee cannot attack the validity of the patent, he is free to attack its scope. *Westinghouse Elec. & Mfg. Co.* v. *Formica Insulation Co.*, 266 U.S. 342, 69 L.Ed. 316, 45 Sup.

We must assume that the District Court's careful recordation of its determinations in the particulars just discussed are indicative of belief that they were required as predicate for the determinations made in favor of Butterfield as to its claims of unfair competition and violation of antitrust laws. The findings and conclusions pertaining to the relative scope and effect of the two patents are clearly seen as having been influential to the court, and we see the errors which we have already discussed as having contaminated other findings and conclusions leading to the judgment under attack.

While the long history of frequent litigation centered upon claims relating to the two patents was not improperly heard by the court below, the ultimate issues which were presented in Butterfield's complaint were limited to issues not of patent law but of law pertaining to the charges that Plastic had unfairly competed, had tortiously interfered with Butterfield's contractual relationships, and had infringed upon federal prohibitions against certain trust activities. Disregarding the findings and conclusions which are erroneous or not germane, our examination of the record compels the conclusion

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Ct. 117 (1924). Let us assume that a manufacturer is a licensee of a patent under which he makes refrigerators. The same manufacturer also makes stoves, and the owner of the patent, contending that the refrigerator patent also covers stoves, claims a royalty on all the stoves manufactured. Surely the manufacturer should not be estopped to challenge the asserted scope of the patent. We notice that one of the reasons the court expressed in its conclusion that Plastic should be so estopped is that it is a licensee of the Butterfield patent. Yet, Butterfield was not held similarly estopped from attacking the operative effect or utility of the Tuohy patent even though the settlement agreement gave Butterfield the right to grant a number of licenses under the Tuohy patent.

that the evidence does not support the judgment against Plastic and that, also, it would not have supported a judgment against Butterfield on Plastic's counterclaim.

Plastic had entered into contracts with numerous licensees. As consideration for its grants of the licenses, the contracts provided that the licensees were to pay royalties, the amounts of which were to be measured by the amount of the total sales of contact lenses by each particular licensee.[4] A number of the conclusions and findings of the trial court relates to its determination that Plastic, in enforcing its standard royalty agreements, engaged in competition which was unfair to Butterfield and which violated federal antitrust laws.

The court determined that the royalty agreement covered only those devices which were made under the teachings of the Tuohy patent and that Plastic, by collecting royalties on all devices, rather than merely those made under Tuohy teachings, unfairly competed and violated prohibitions of the antitrust laws. The court stated

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[4] Each agreement provided,

"2(a) LICENSEE, solely for the purpose of accounting hereunder, agrees to pay to LICENSOR royalties upon all devices consisting of pieces of finished material in which two lens surfaces are applied thereto and which are adapted to be or are made into a finished or unfinished corneal lens calculated in accordance with the following schedule on all such devices sold by LICENSEE:

$1.00 on each pair of the first 150,000 pairs of devices or $.50 per device.

$ .75 on each pair of the next 100,000 pairs of devices or $.375 per device.

$ .50 on each pair of the next 100,000 pairs of devices or $.25 per device.

$ .25 on each pair of all additional pairs of devices or $.125 per device."

in its findings that it construed the agreement narrowly so that it might be held valid as written even though, according to the court, it was invalid as enforced. The court found no vice in one form of an agreement enforced by Butterfield, calculating the consideration paid by the licensee upon the basis of all the licensee's sales during the twelve-month period immediately preceding the date of the licensing agreement. It must be assumed that none of these devices, sold in advance of acquisition of a Butterfield license, were constructed under the Butterfield teachings. While ruling that Plastic had produced no evidence to support its claim that its method of royalty determination was to accomplish simplified accounting, the court accepted Butterfield's position that its royalty scheme was conceived and applied for that purpose.

The Plastic agreement calls for royalties measured by current sales rather than by past sales. Such an agreement was upheld by the Supreme Court in *Automatic Radio Mfg. Co.* v. *Hazeltine Research Co.*, 339 U.S. 827, 94 L. Ed. 1312, 70 Sup. Ct. 894 (1950). Butterfield's attempts to distinguish this case are not persuasive.[5] Our construction of the decision leads us to the conclusion that there was error in the interpretation of the Plastic licensing agreement and in the decision that Plastic's collections under the royalty provision were illegal.[6]

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[5] In addition to the method of royalty calculation described above, Butterfield has granted royalty agreements requiring the payment of a fixed amount each month. This provision, too, is without regard to whether any devices are made by the licensee under the teachings of the Butterfield patent.

[6] Plastic makes the further contention that since it was enforcing the disputed royalty agreement at the time of the settle-

Another of Butterfield's claims of unfair competition pertains to the alleged misrepresentation by Plastic, through the use of circulars, letters, and other methods of dissemination, of the operative nature of the Butterfield patent and the scope and effect of the consent judgment and settlement agreement in the prior action between the parties. Butterfield alleges that the purpose of the claimed misrepresentation was to induce others not to deal with Butterfield.

Generally, Plastic's alleged wrong was the distribution of information as to its point of view of the settlement. On October 25, 1962, it sent to all of its licensees a form letter which purported to explain the settlement which had been accomplished in the preceding April. The court conceded that a primary reason for the letter may have been to explain to these licensees the reasons for permitting Butterfield to grant the four Tuohy licenses and their possible effect on other outstanding licensees to employ the Tuohy teachings. At the same time, it was found that the letter contained actionable misrepresentations. Among these was the representation that Butterfield and Plastic had "recently" settled their dispute. This was untrue because, wrote the court, "In fact this settlement had been made more than six months before in April of 1962." We see no solid basis for finding that a reference to a matter six months old as "recent" is actionable misrepresentation, and we see no showing of how such a "misrepresentation" could have injured Butterfield.

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ment and consent judgment, the question should be held to have been resolved. Because we hold that the agreement and its enforcement were not illegal, we do not reach that issue.

The court emphasized that while Plastic represented that it had been released "from all claims alleging infringement of the Butterfield Patent," it did not further state that Solex had been determined to have infringed the Butterfield patent. We cannot see that Butterfield was thereby injured or even that omitting to advise that a predecessor had infringed the patent could be characterized as misrepresentation. Other facts omitted from the distributed information are mentioned, and the court found, "To a trade, then under active solicitation by Butterfield the omissions of these material facts could not have resulted in anything except severe detriment to Butterfield in his solicitation efforts." We construe this ruling to mean that the court felt obliged to conclude, as a matter of law, that *any* detriment to Butterfield would necessarily be *severe*. We disagree. Furthermore, nothing prevented Butterfield from circulating his own version of the settlement agreement, and it is indicated that he did this to a limited extent.

The court found that Plastic "assumed the burden of explaining the settlement and did so in a manner which could only have been detrimental to Butterfield." We are aware of no requirement that a competitor shall affirmatively present his competition's view of the import of an event. It is perfectly understandable that Plastic wished to avoid discontent among its existing licensees. Butterfield could have reached the same people, and, the trial court indicated, it did circulate its own version of the settlement agreement. The identities of potential licensees in the business were not secret. The trial court mentions the number of people in the busi-

ness, referring to a partial list of them. All were subject to the reach of Butterfield, as well as of Plastic.

There is similar inconsistency in Butterfield's challenge of the indemnity agreement which Plastic offered its licensees. The District Court found that this, too, constituted sufficient evidence of unfair competition. The finding can hardly be reconciled with the court's observations without a finding of fault, that in the past Butterfield itself had indemnified several of its licensees against liability arising from any claims of infringement of the Tuohy patent. Throughout the record, it is seen that Butterfield has committed many of the same acts which, committed by his competitor, he charges as unfair competition.

The crucial part of the indemnity agreement offered by Plastic provides, "Licensor shall indemnify Licensee, . . . against any and all claims for infringement under Butterfield U. S. Patent No. 2,544,245 with respect to devices sold by Licensee . . ."

In reviewing the record, one is struck by the similarity of the inventions taught by the two patents. One undertaking to construct a device under the teachings of the one patent, because of variations in the curvature of human eyes and the close precision required, confronted almost certain risks of infringing the other patent. It was inevitable, as the history reveals, that licensees of Butterfield would be exposed to claims of infringement of the Tuohy patent and that licensees of Plastic would be charged with trespass upon the rights of Butterfield. These realities created adequate and le-

gitimate justification for the desirability, if not the necessity, on the part of each patent holder to offer indemnity agreements to its licensees.

Assuming that one's offer of indemnity agreements may be attended by circumstances supporting a determination of this wrongful and unfairly competitive purpose, the offers of Plastic here, and of Butterfield also, were so clearly induced by a legitimate business motive that there is insufficient support for the determination that Plastic's overtures to its licensees were inspired by actionably wrongful intent and purpose.[7]

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[7] Butterfield includes in the appendix to his brief a letter, which was before the court below. The letter is characterized as "typical correspondence." It was received by Plastic from one of its licensees. It cannot be considered as "typical" of correspondence pertaining to the effect of the indemnity agreement, since this licensee had not been a party to such an agreement. Butterfield had filed an infringement suit against the licensee, Rich-Tint, and a consent judgment was entered prior to the time that Plastic had made the indemnity offer. The licensee informed Plastic that it was financially unable to undertake the defense of the infringement suit and had entered into a licensing agreement with Butterfield at a cost to it of $50.00 per month for the remaining life of the Butterfield patent. The licensee requested, in its letter, that Plastic do for it retroactively what it offered to do for other licensees prospectively. It asked that it be allowed to deduct the amount of the Butterfield royalty from the amount due Plastic for royalties.

We do not read this letter, "typical" or not, as supporting Butterfield's position. It reveals that Butterfield had filed an infringement action against a small manufacturer who, unable to afford the cost of defending the suit, purchased a Butterfield license, the amount of the royalty to be paid without regard to whether it constructed any devices under the teaching of the Butterfield patent. We cannot know whether Rich-Tint was infringing or whether it ever made a device comporting with the Butterfield teaching. But we can see that Plastic, to prevent burden to its licensees in confronting similar claims, had ample justification for its offers of indemnity.

Finally, we consider Butterfield's complaint and the determination that Plastic unfairly competed through instituting litigation against its own licensees which libeled Butterfield and his attorneys and frightened the licensees from dealing with Butterfield.

One purpose of these actions was to recover unpaid royalties alleged by Plastic to be due under the royalty agreements. As an extension of its narrow interpretation of the Plastic royalty agreement and its determination that Plastic improperly applied the royalty provisions by attempting to collect for all devices made by its licensees, the trial court held the suits to be wrongful. We have already expressed our view that the broad royalty provisions and the manner of their application were legally permissible. Furthermore, nothing in the record indicates that the claims for unpaid royalties in the suits were not made in good faith.[8]

Another aspect of Plastic's suits was its charge that the defaulting licensees, together with Butterfield and Mason, one of Butterfield's attorneys, conspired to damage and injure the Plastic licensing system. None of these suits ended successfully for Plastic. That does not mean that the suits were wholly groundless, as the trial court found, or that they were coercive or unfair to Butterfield, just as an unsuccessful criminal prosecution does not, simply because it is unsuccessful, create liability for malicious prosecution. Conspiracy involves a rather sophisticated undertaking. Steps are generally

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[8] One of the parties sued, Hunt, was also sued by Butterfield for unpaid royalties under a licensing agreement between Hunt and Butterfield.

taken to cover tracks. See *Esco Corp.* v. *United States*, 340 F.2d 1000, 1006 (9th Cir. 1965). Plastic knew that Mason had represented parties unsuccessful in their attacks upon the validity of the Tuohy patent in the cases previously cited, *Pacific Contact Labs, Inc.* v. *Solex Labs, Inc., supra*, and *Solex Labs, Inc.* v. *Graham, supra*. Mason had also represented several of the parties defendant in those actions filed by Plastic which are claimed by Butterfield to have been wrongfully coercive. Mason also represents Butterfield. There was no direct connection between the parties defendant and Butterfield other than as revealed by attempts of Butterfield in some instances to enter into license agreements with them; nevertheless, the circumstances, as could be seen by Plastic in advance of plenary determination, were sufficient to prevent a valid finding that Plastic's suits were instituted in bad faith or that they were "groundless."

The District Court concluded that "The litigation previously described was wholly groundless and, in view of its coordination with the other activities of Plastic in these Findings described, was brought for the wrongful purpose and effect of inducing persons in the trade not to deal with Butterfield." This conclusion was drawn, expressly, "in view" of Plastic's "other activities", and we do not, in the light of the whole evidence, see that these "other activities" were illegal. Reviewing them specifically, we do not believe that it is supportable to conclude that the broad royalty base was unlawful, that the disclosures with regard to the settlement agreement were actionable misrepresentation, that the indemnity

agreements involved constituted a method of unfair competition, or that it was wrongful for Plastic to communicate its view that a patent twice held to be a "pioneer" was a pioneer and, thus, had a broad scope. We recognize that a series of lawsuits, wrongfully instituted for oppressive purpose, may constitute the basis for a just charge of unfair competitive activity. See Callman, Unfair Competition and Trademarks § 8.1d, p. 139 (2d ed. 1950). But see *Frolick* v. *Miles Labs, Inc.*, 316 F.2d 87 (9th Cir.), *cert. denied*, 375 U.S. 825, 11 L. Ed. 2d 58, 84 Sup. Ct. 66 (1963). Here, however, the evidence is insufficient to support Butterfield's contention for the application of that rule.

All of the foregoing leads to the conclusion that we, from the entire evidence, are "left with a definite and firm conviction that a mistake has been committed." *United States* v. *United States Gypsum Co.*, 333 U.S. 364, 365, 68 Sup. Ct. 525, 542, 92 L. Ed. 746 (1948). The case was carefully tried, and it is plain that there was a full production of evidence.[9] We see no substantial reason for imposing further burdens upon the parties and upon the court. The judgment against Plastic is reversed. Upon remand, the complaint will be dismissed, and, with it, also falls the counterclaim.

Reversed with directions

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[9] Butterfield complains that Plastic is shutting him out, yet the trial court observed that there are some three hundred manufacturers of plastic contact lenses in the United States. Plastic has licensed about one-half this number. At the time of trial, Butterfield had only solicited about fifty of these, of which twenty-three had purchased licenses from him. During the period following the 1962 settlement and before the trial of the present case, Butterfield nearly doubled his number of licensees.

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APPENDIX D

UNITED STATES DISTRICT COURT
DISTRICT OF OREGON

GEORGE H. BUTTERFIELD, SR., Plaintiff,	)	FINDINGS OF FACT
v.	)	AND
THE PLASTIC CONTACT LENS COMPANY, a corporation Defendant.	)	CONCLUSIONS OF LAW* CIVIL NO. 63-294

Be it remembered that the above cause came on for trial on the 22nd day of June, 1964, the plaintiff appearing through R. R. Bullivant and Douglas G. Houser, and the defendant appearing through James C. Dezendorf, Dugald S. McDougall and Irwin Panter, its attorneys. Plaintiff and defendant produced evidence on their respective hearings and at the conclusion of the trial, the Court directed each party to submit proposed findings and conclusions. After an exhaustive study and analysis of the record, including the findings and conclusions proposed by plaintiff and defendant, the Court has arrived at the conclusion that the weight of substantial evidence supports the plaintiff's contentions, both of law and of fact. In order to present a more meaningful result, findings of fact and conclusions of law are, in some instances, interwoven.

For brevity, the following definitions will apply unless the context indicates otherwise:

(a) "Butterfield" means the Plaintiff, and "Plastic" means the Defendant.

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* Documentation to the Record and Evidence supplied. See "Record References," page iii of this Petition.

(b) "Solex" will refer to a former California corporation, known as Solex Laboratories, Inc.

(c) "Butterfield & Son" will refer to an Oregon corporation known as George H. Butterfield & Son.

(d) The term "Tuohy Patent" refers to United States Patent No. 2,510,438; whereas the term "Butterfield Patent" refers to United States Patent No. 2,544,246.

FINDINGS OF FACT

1. Butterfield is, and throughout the period here material has been a citizen and resident of Portland, Oregon. He is and has been licensed to practice as an optometrist in the State of Oregon since 1918 but has not done so actively for about two years. He is the majority stockholder of Butterfield & Son which is, and since December, 1948, has been, engaged in the manufacture and sale of plastic contact lenses under a royalty license from Butterfield. Butterfield is also the owner of the Butterfield Patent and has been since its issuance on March 6, 1951. The Butterfield Patent will expire under its terms in March, 1968.

Pre-Trial Order, Agreed Fact 1, R. p. 45 Butterfield Patent, Ex. 45; Butterfield, Tr. 159.

2. Plastic is, and throughout the period here material has been, an Illinois corporation, having its principal place of business in Chicago, Illinois. Plastic is licensed to do business in the State of Oregon and is subject to suit therein. At least since 1948, Plastic has

been engaged in the business of manufacturing and selling plastic contact lenses.

Pre-Trial Order, Agreed Fact 2, R. p. 45.

3. The amount in controversy in this action and in the counterclaim each exceeds the sum of $10,000.00, exclusive of interest and costs, and this Court has jurisdiction of the parties and of the subject matter of the action and of the counterclaim.

Pre-Trial Order, Agreed Fact 3, R. p. 45.

4. The Tuohy Patent for improvements in a corneal contact lens was issued June 6, 1950, to K. M. Tuohy and will expire under its statutory term in June, 1967. It was issued on an application filed February 28, 1948.

Ex. 43 (Patent); File Wrapper of Tuohy Patent Patent Application, Ex. 113.

5. Solex, the original owner of the Tuohy Patent, was until May 12, 1961, a California corporation having its principal place of business in Los Angeles, California. From 1948 until May 12, 1961, Solex was engaged in the business of making and selling plastic contact lenses, and it owned the Tuohy Patent from the date of its issuance until April 12, 1961.

Pre-Trial Order, Admitted Fact 4, R. p. 46.

6. On November 4, 1960, Plastic acquired all the capital stock and control of Solex. On April 12, 1961, the Tuohy Patent was assigned by Solex to Plastic, which still owns it. On May 12, 1961, Solex was liquidated and dissolved, Plastic on that date having acquired its assets and assumed its liabilities, after liquidating and dissolving Solex. Plastic continued to sell to Solex's old customers.

Pre-Trial Order, Admitted Fact 5, R. p. 46; Agreement between Plastic, as buyer, and Tuohy and Zabner, as sellers, dated November 6, 1960, for purchase of all of stock of Solex by Plastic, Ex. 136.

7. There are material and substantial differences between the Tuohy and Butterfield Patents so that a lens made in accordance with the Butterfield Patent does not infringe the Tuohy Patent, and a lens made in accordance with the Tuohy Patent does not infringe the Butterfield Patent.

(a) A corneal contact lens is a transparent object worn directly on the cornea, being held thereon by capillary attraction with the tear fluid between the lens and the cornea. All corneal contact lenses are concavo-convex in cross-section and are smaller in diameter than the diameter of the limbus of the eye, which is the area surrounding the cornea between the cornea and the white of the eye. The human cornea is shaped more like a parabola than a segment of a sphere, in that its central or optical zone is substantially spherical while the marginal portion of the cornea flattens out toward its periphery. The corneal surface, however, has microscopic irregularities.

(b) The Butterfield lens is also substantially parabolic on its concave side, so that it follows closely the shape of the cornea. That is, its central portion conforms to the optical zone of the cornea in such manner that it does not exert undue pressure, and its marginal portion so corresponds to the marginal zone of the cornea

that it provides uninterrupted flow of tear or lachrymal fluid. This relationship to the cornea is brought about by the concave surface of the lens being defined by at least two concentric curves of relatively different radii of curvature. The lens of the Butterfield Patent is known in the trade as the "bi-curve conforming type."

The cornea inherently has surface irregularities and, therefore, exact conformity is neither required nor intended. Only approximate conformity and correspondence are intended, as shown by the following language of the Butterfield Patent specification:

> "The applicant, by providing a lens whose contact surface is very close to the shape of the eyeball, has brought about the ideal corneal contact lens condition."

The Butterfield Patent contains two claims, the broadest of which reads as follows:

> "1. A corneal contact lens of concavo-convex form in section and of a size to lie within the area defined by the limbus having an inner central spherical area conforming to the corresponding area of the cornea to which the lens is applied so that undue pressure will not be present at any point, the remainder of said inner surface extending, radially outward toward the limbus being formed on a curve different from that of said central area and corresponding in curvature with that portion of the corneal peripheral area to which the lens is applied, whereby space is provided for the natural uninterrupted circulation of lacrimal fluids between said lens and the cornea.

McClain, Tr. 620; Butterfield, Tr. 289, 295, 305,

341; Conlogue, Tr. 335, 320; Satterlee, Tr. 463; Butterfield Patent, Ex. 45; Dippery, Tr. 217; Model, Ex. 122; Drawing, Ex. 151.

(c) The Tuohy Patent, on the other hand, describes and claims a lens whose concave surface is defined by a single spherical curve of a radius "flatter," or of sufficiently longer radius than that of the cornea so as to provide a gradually increasing clearance or tear space between the lens and cornea radially outwardly from the center. The lens of the Tuohy Patent is known in the trade as the "flatter type lens."

Thus the Tuohy lens is the opposite of the Butterfield lens, in that it has a loose or flatter fit as distinguished from the conforming type fit of the Butterfield lens.

Claim 1 of the Tuohy Patent reads as follows:

"1. A contact lens applicable to the human eye comprising a concavo-convex lens formed of light-transmitting material having a marginal size smaller than the limbus portion of the eye to which it is applicable but larger than the maximum iris opening, said lens having a radius of curvature on its concave side slightly greater than the radius of curvature of the cornea to which it is applied so that radially from the center of the lens there will be a small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea, said lens being ground to correct for visual deficiency."

Tuohy Patent, Ex. 43.

8. The trade in contact lenses both at the manufac-

turing, dispensing and fitting levels, has recognized that there are substantial differences between the two patents, and a very substantial volume of this trade is now and for some time last past, including the period since April, 1962, has consisted of the "bi-curved conforming" Butterfield-type lenses.

Butterfield, Tr. 171, 172, 181, 185, 186, 264, et seq, 351, 368, 391-2; Satterlee Tr. 462-3; Dippery, Tr. 208; Conlogue, Tr. 315, 320; Hunt Deposition, Ex. 149, p. 32, line 21, to p. 33, line 6; Corneal contact lens trade literature, Ex. 104 to 104y, inclusive, particularly at the pages or portions indicated in the pre-trial list covering these exhibits.

9. The Tuohy Patent was adjudged as validly covering the flatter type lens which it describes and claims in *Solex* v. *Pacific Contact Laboratories, Inc.*, in the United States District Court for the Southern District of California, Central Division, on September 14, 1951.

Opinion of Judge Harrison, Ex. 128.

10. Subsequent litigation in the same Federal District Court was brought by Solex against six fitters of contact lenses for alleged infringement of the Tuohy Patent, one of such cases being known as Solex v. Graham, 165 F. Supp. 428 (Aug. 1958). This litigation again adjudged the validity of the Tuohy Patent. In it Plastic, through its attorney, W. M. Van Sciver, defended three of the fitters, and Collins Mason, one of Butterfield's attorneys herein, defended two of the defendants. This activity by Mr. Mason was prior to any time at which he had been retained by Butterfield.

Appeals were prosecuted by the defendants in each of these cases but were terminated without an adjudication on the merits by the appellate court and the appeals dismissed as a part of the transaction by which Plastic acquired Solex in November, 1960.

Mason, Tr. 481-2; Agreement for purchase of Solex stock by Plastic, Ex. 136; Final judgment *Solex* v. *Graham*, November 28, 1960, Ex. 141.

11. Neither the Pacific Laboratories case nor the cases by Solex against the six fitters involved any device made under the teachings of the Butterfield Patent and Butterfield was not a party to any of that litigation.

Mason, Tr. 482.

12. The material and substantial differences between the two patents are additionally shown by factors other than those previously mentioned in these respects:

(a) The file wrapper of the Tuohy Patent, Ex. 113, discloses that patentee Tuohy surrendered broader claims in order to obtain allowance of the two claims which matured as the claims of his patent, and therefore Plastic is estopped to assert for the Tuohy Patent any broader scope than is defined by the two claims of the Patent.

(b) As is hereafter more fully set forth, Plastic, since May, 1960, has been a licensee under the Butterfield Patent and, as such is not only estopped to challenge the validity of the Butterfield Patent but is also estopped to challenge its operative effect or utility.

(c) The prior Portland litigation between the par-

ties which was settled and terminated in April, 1962, as will be hereafter more fully described, was the first court action in which the Butterfield Patent or lens was involved. This was a renewed recognition by Plastic, as well as the decree, that established both validity and utility of the Butterfield Patent as between the parties.

Ex. 1.

(d) Prior publication art, an article from Fortune Magazine for April, 1936, known to Plastic since the termination of the prior litigation, while not disclosing a corneal contact lens with the fitting relationships claimed by either Butterfield or Tuohy, does disclose that corneal contact lenses were known to the public many years before the application for either patent. The Court can find no justification for Plastic's position, asserted on oral argument, that the Tuohy Patent is broad in scope, but that the Butterfield Patent is narrow, and of only very limited utility or use.

Ex. 68; Wesley Deposition, Ex. 12; pp. 134-5.

13. At the time of the acquisition of Solex by Plastic in November, 1960, there was pending in the United States District Court for the Northern District of Illinois, Eastern Division, an action by Solex against Plastic for alleged infringement by Plastic of the Tuohy Patent. In this action Plastic had charged in verified pleadings and sworn affidavits filed therein that Solex had practiced deceit and coercion, had misused court opinions for the purpose of coercing manufacturers of corneal contact lenses into entering into license agreements with Solex under the Tuohy Patent and had misrepre-

sented the scope of the Tuohy Patent. In that action Plastic obtained a temporary injunction against Solex prohibiting acts of the kind previously described and this injunction was affirmed on appeal.

See Pleadings in *Solex* v. *Plastic,* #57-C-466, Ex. 66, 67; *Solex* v. *Plastic,* 268 Fed. 2d 637.

14. In May, 1960, Plastic acquired from Butterfield a license under the Butterfield Patent, paying or agreeing to pay a total consideration therefor, on a monthly basis, of $50,000.00. This license was acquired from Butterfield when Plastic was maintaining in court, as heretofore set forth, a position in which it not only was attacking the Tuohy Patent but was also challenging coercive and deceptive tactics of Solex whom it had not then acquired.

Pre-Trial Order, Admitted Fact 9, R. p. 47; Butterfield-Plastic license agreement, Part of Ex. 117.

15. Prior to the acquisition of Solex by Plastic, Solex had brought an action against Butterfield and Butterfield & Son in the District Court of the United States for the District of Oregon, Civil 60-107. After this action had been pending for some time and after the acquisition of Solex by Plastic, Plastic became a co-plaintiff against Butterfield and Butterfield & Son and continued the litigation against him and the corporation, Butterfield & Son. While this action was pending the plaintiff and Butterfield & Son applied for and after hearing obtained, on September 10, 1961, a preliminary injunction against Plastic against bringing or continuing the prosecution of actions or suits against li-

censees of Butterfield for infringement of the Tuohy Patent by reason of manufacture of devices under the Butterfield Patent, including actions then pending in other Federal Courts against Titmus Optical Company, Inc., a licensee of Butterfield, and against Rogers Brothers, another licensee of Butterfield. The temporary injunction also enjoined Plastic from notifying the trade that lenses made under the teachings of the Butterfield Patent infringed the Tuohy Patent, from threatening to sue licensees of Butterfield because of such alleged infringement, and from notifying the trade that the Butterfield Patent is inoperative or that the trade could manufacture and sell corneal contact lenses under the teachings of the Butterfield Patent without infringing it. This injunction order of this Court was made pursuant to findings and an opinion setting forth in substance that Plastic, since its acquisition of Solex, had continued many of the improper acts of Solex in its licensing program which Plastic had successfully challenged in the Federal Court in Illinois. *Solex Laboratories, Inc.* v. *George H. Butterfield, et al,* 202 F. Supp. 461 (D. Or. 1961).

Order granting preliminary injunction and memorandum opinion of the Court, Ex. 129.

16. There is no evidence that Plastic, since the time of said injunction order or since the time of the settlement of the former action between the parties, Civil 60-107, ever took any steps to repudiate or disassociate itself from the wrongful conduct of Solex enjoined in the Federal Court in Illinois as heretofore set forth or from its own conduct of a somewhat similar type en-

joined by this Court in the former action, and there is likewise no evidence of any such effort by Plastic to disassociate itself from such conduct or to disavow such conduct since the time of the settlement of the former action in April, 1962.

17. At the time Plastic acquired Solex and control of the Tuohy Patent in November, 1960, Solex had outstanding approximately 56 license agreements all or substantially all of which were in the form of Form 2, Ex. 46. Substantially all of such agreements had been obtained by Solex subsequent to August 6, 1958, the date of the decision of Judge Tolin in *Solex* v. *Graham*, supra. This is the opinion which Solex improperly used in circularizing the trade concerning the effect of the opinion and the scope of the Tuohy Patent as determined in the Chicago litigation between Solex and Plastic, above referred to. These Solex license agreements called for a royalty of $3.50 per pair of lenses and the royalty paid by the licensee was measured only by the quantity of Tuohy lenses handled by each licensee during each accounting period. Eventually Plastic, by dealings with the Solex licensees and by dealings with the trade, had acquired a total number of approximately 110 licensees at the time of the settlement of the former action between the parties in April, 1962. At the time of the settlement of the former action in April, 1962, the license agreements between Solex and its licensees and the new licenses acquired by Plastic had been converted into a different form of license agreement exemplified by Form Number 8 in Ex. 46. The new agreements reduced the royalty rate to fifty cents per lens.

Group of license forms used by Solex and Plastic, with attached explanatory yellow sheet, Ex. 46; List of Plastic's active licensees with date they signed license agreement, Ex. 109; Agreement between Plastic and Tuohy and Zabner for purchase of Solex stock, Ex. 136; Pre-Trial Order, Admitted Fact No. 7, R. p. 46.

18. At the time of the settlement of the former action between the parties Butterfield had 12 licensees, including Plastic, the Butterfield corporation, Titmus Optical Company, Rogers Brothers, Sloan Optical Company, Inc. (name changed to Southern Contact Lens Laboratories, Inc.), and Utah Optical Supply Co.

List of Butterfield licensees showing dates when license agreement first obtained, Ex. 73; File of outstanding Butterfield license agreements, Ex. 117.

19. At the time of the settlement of the former action between the parties in this Court, the current pleadings before the Court of the respective parties were the amended complaint of Solex and Plastic (Ex. KK-1), the amended and supplemental answer and counterclaim of Defendants Butterfield and Butterfield & Son (Ex. KK), and the answer to counterclaim of Plastic and Solex (Ex. KK-2). The case was never tried on the merits and there was never any adjudication in contested proceedings between the parties of the issues raised in the pleadings except to the extent that this Court held a hearing on the merits of Butterfield's motion for temporary injunction and issued its temporary injunction after opinion and findings in October, 1961,

this temporary injunction and the opinion and findings having been previously described.

20. At the time of the settlement of the former action the current pleadings before the Court did not tender any issue as to the validity, either under the anti-trust laws or otherwise, of the royalty base then in use by Plastic under its license agreements of the type exemplified in Form 8, Ex. 46, being the form now in use by Plastic. The pleadings likewise tendered no issue as to the validity or existence of any conduct by Plastic in interpreting or seeking to apply in the trade the scope of said royalty base as it may have applied to unpatented, unfinished and uncut pieces of plastic material or to non-Tuohy-type lenses. The pleadings did not tender any issue as to the proper interpretation of the form of license agreement then in use by Plastic, with respect to said royalty base, as to whether it did or did not apply to uncut, unfinished or non-Tuohy-type pieces of plastic material.

21. The former litigation between the parties was settled by a duly entered consent judgment (Ex. 1), a filed stipulation of facts and matters (Ex. 2), a filed stipulation for dismissal of counterclaim (Ex. A), and an unfiled settlement agreement (Ex. 3). The consent judgment was entered May 10, 1962, and the stipulation of facts and matters on which it was based, as well as the unfiled settlement agreement, were dated April 24, 1962.

Pre-Trial Order, Admitted Fact 8, R. pp. 46-47.

22. The entered consent judgment, in pertinent part, provides:

"IT IS HEREBY ADJUDGED AND DECREED as follows:

1. Plaintiff-counterdefendant The Plastic Contact Lens Company is an Illinois corporation having its principal place of business in Chicago, Cook County, State of Illinois.

2. Plaintiff-counterdefendant Solex Laboratories, Inc., was, up to May 12, 1961, a California corporation, having its principal place of business in Los Angeles, County of Los Angeles, State of California.

3. On or about May 12, 1961, plaintiff-counterdefendant The Plastic Contact Lens Company, became successor in interest to and caused said Solex Laboratories, Inc. to be dissolved and assumed all rights and obligations of said Solex Laboratories, Inc. arising out of this action.

4. Defendant-counterclaimant George H. Butterfield, Sr., is a resident of Portland, Multnomah County, State of Oregon.

5. Defendant-counterclaimant Geo. H. Butterfield & Son is an Oregon corporation, having its principal place of business in Portland, Multnomah County, State of Oregon.

6. This Court has jurisdiction over the parties and the subject matter of this action.

7. Plaintiffs' complaint is dismissed with prejudice as to the defendant George H. Butterfield, Sr.

8. Counterdefendant The Plastic Contact Lens Company is a licensee under U. S. Letters Patent in suit No. 2,544,246.

9. Defendant Geo. H. Butterfield & Son is a licensee under U. S. Letters Patent in suit No. 2,510,438.

10. U. S. Letters Patent in suit No. 2,510,438 are good and valid in law as between plaintiffs and counterdefendant Geo. H. Butterfield & Son.

11. United States Letters Patent in suit No. 2,544,246 are good and valid in law as between counterclaimant George H. Butterfield, Sr. and the plaintiffs-counterdefendants.

12. Within six (6) years immediately preceding May 12, 1961, said counterdefendant Solex Laboratories, Inc., infringed U. S. Letters Patent No. 2,544,246 and counterdefendant The Plastic Contact Lens Company has made full settlement of and for damages suffered by counterclaimant George H. Butterfield, Sr. from and by virtue of said infringement.

13. All matters of costs, attorneys' fees and all other financial recoveries involved in or arising out of this action have been settled and satisfied out of court by and between the parties and the parties have waived judgment therefor.

14. The parties having waived injunctive relief, no injunctive relief is granted by this judgment.

15. The injunction pendente lite which has been issued out of and under the seal of this Court against plaintiffs-counterdefendants pursuant to the Court's order of September 19, 1961, is hereby dissolved and the surety bond posted as security therefor by defendant-counterclaimant George H. Butterfield, Sr. is hereby exonerated and released."

Ex. 1.

23. The stipulation of facts and matters which was filed in court as a basis for the entry of the consent judgment, so far as here material, contained provisions coincident with the above provisions of the consent judgment. The only relevant additional matters provided for in it were:

(a) That Butterfield and Butterfield & Son should dismiss with prejudice all counterclaims set forth in the amended and supplemental answer and counterclaim except the counterclaim for infringement of the Butterfield Patent.

Par. 2.

(b) That Butterfield, the individual, has not infringed the Tuohy Patent.

(c) That by license agreement between Plastic and Butterfield dated May 6, 1960 (Ex. 71), Butterfield granted a license to Plastic under the Butterfield Patent, that said license agreement has been and still is in full force and effect and that, therefore, no judgment for infringement should be entered in favor of Butterfield against Plastic for infringement by Plastic of Butterfield's Patent other than for the infringement of said Patent by Solex prior to May 12, 1961.

These added matters appearing in the stipulation taken together with the consent judgment are of significance in considering the contentions of the parties with respect to the scope of the Butterfield Patent as related to the Tuohy Patent. The consent judgment and stipulation recognized that substantial infringement of the Butterfield Patent had been made by Solex.

24. The unfiled settlement agreement (Ex. 3), except for the formal dismissal of the counterclaim of Butterfield and the corporation, Butterfield & Son, completes the important settlement documents. Its provisions, so far as here relevant, were as follows:

(a) Provision is made in the agreement for the precise form of stipulation of facts and matters and consent judgment to be presented to the Court. The forms attached to the agreement are identical with those filed and entered in court.

Par. 1.

(b) That Solex has infringed the Butterfield Patent and as settlement for damages suffered by Butterfield from such infringement Plastic:

(i) Releases any claims against Butterfield or Butterfield & Son for infringement of the Tuohy Patent;

(ii) Conveyed to Butterfield the right to grant Butterfield & Son a royalty-free license under the Tuohy Patent;

(iii) Conveyed to Butterfield the right to grant royalty-free Tuohy licenses to Butterfield licensees, Titmus, Rogers, Sloan and Utah Optical;

(iv) Agreed to dismiss with prejudice the pending actions by Plastic against the Butterfield licensees, Titmus and Rogers; and

(v) Agreed to pay to Butterfield the sum of $6,000.00. (This latter sum is clearly allocated in the settlement agreement to the part payment of infringe-

ment damages suffered by Butterfield from infringement by Solex.)

Par. 2.

(c) Plastic further agreed, as part of the settlement above set forth for Butterfield's infringement claims against Solex, to pay the sum of $60,000.00 in three installments, two in 1962 and the balance January 2, 1963. (This $60,000.00 sum is separate from and in addition to consideration to be paid by Plastic for infringement of the Butterfield Patent.)

Par. 3.

(d) That nothing contained in the settlement agreement should prevent either Plastic or Butterfield from soliciting licensees of the other or from bringing suit against such licensees for infringement of their respective patents.

Par. 4.

(e) Butterfield gave to Plastic the right to grant to a Plastic licensee, Ocular Products, Inc., of Seattle, Washington, a royalty-free license under the Butterfield Patent.

Par. 6.

(f) Butterfield and Butterfield & Son shall file a dismissal with prejudice of their counterclaims except the second counterclaim seeking damages for infringement of the Butterfield Patent.

Par. 7.

Each party thereby released "any and all claims or causes of action which he or it has or may have against

each of the other parties arising out of the action or the subject matter of the action."

Par. 8.

25. All sums required to be paid by Plastic under the terms of the settlement agreement of April 24, 1962, have been paid.

26. Issues No. 1 and 2 herein as set forth in the pre-trial order require a determination as to what, if any, issues involved in the present action between the parties were finally terminated by the settlement of the former action in the manner heretofore set forth. None of the issues presented in the pre-trial order, either under the statement of Plaintiff's contentions, Defendant's contentions with respect to Plaintiff's claims, or under the statement of the issues to be tried could have been affected by the settlement of the former action so as to bar Butterfield herein.

Defendant's contentions with respect to Plaintiff's claims, Pre-Trial Order, Contention No. 5, R. p. 63.

27. None of the Plaintiff's contentions herein or the issues to be tried involving Plaintiff's contentions, as set forth in the pre-trial order, were terminated or barred by the settlement and final termination of the previous litigation between the parties, including specifically, but not limited to, any contentions of the Plaintiff or issues formulated thereon dealing with the subject matter of the royalty base sought to be enforced by Plastic against its licensees as including lenses consisting of unpatented, uncut or unfinished lenses or finished lenses not made in

accordance with the teachings of the Tuohy Patent.

Among the more detailed evidence, considerations and reasons leading to the Court's above ultimate finding are the following:

(a) Plastic's conduct with respect to the application and enforcement of its royalty base pertained only to acts and conduct of Plastic occurring subsequent to the date of the settlement. There was no evidence whatsoever that Plastic had interpreted or sought to enforce its current forms of license agreement against its licensees so as to cover any devices or lenses other than Tuohy lenses prior to the time of the settlement.

(b) Plastic admitted at the trial of the case in chief that it now construes, enforces and seeks to enforce its current license agreements to require payment by its licensees on unfinished and uncut lenses, both of which are unpatented, and on finished Butterfield and other type of non-Tuohy lenses, and that in its dealings with the trade it makes these requirements both by demand upon its licensees and by litigation filed against them covering royalties on such a broad non-Tuohy base.

Plastic's answers to Plaintiff's second interrogatories 5 and 6, Ex. 6; Wesley Deposition, pp. 84-6, 118, 132-3, 115 (Ex. 12); Admissions of Plastic's counsel during trial, Trial Record, p. 113; The following illustrative items of correspondence between Plastic and its licensees, including Exs. 20, a, b, c, 21 a, b; Plastic Royalty Report Form, Ex. 76.

(c) However, there is no evidence that any of the foregoing concerned enforcement activities of Plastic in the application of its royalty base prior to the time of the settlement of the former action.

(d) The supplemental answer and counterclaim of Butterfield in the former action did not challenge the validity of the Plastic royalty base as recited in its license agreements or Plastic's enforcement of that Royalty base in the broad sense now under consideration in any respect but was limited to charges of extended and unjustified claims by Plastic as to the pretended broad scope of the Tuohy Patent itself as covering all finished corneal contact lenses made under the teachings of other patents, such as the Butterfield Patent.

See supplemental answer and counterclaim of Butterfield in former action, Ex. KK.

(e) The proper construction of the current Plastic license agreement with respect to the royalty base therein provided was not an issue in the former case and there is no evidence from Defendant or otherwise that it was in any manner before the Court either under the pleadings or the settlement agreement or the consent judgment or stipulation.

(f) The agreement between Plastic and its licensees is somewhat ambiguous, with respect to its royalty base, but, when properly construed, does not call for the payment of royalties on devices other than Tuohy-type lenses. The word "devices" as used in paragraphs 1 and 2 of the current license agreement (Form 8, Ex. 46) is limited to Tuohy-type lenses, which the license particu-

larly covers as more fully set forth in paragraph 1 of the license agreement. The word "devices" as it appears in the royalty base provision in paragraph 2 is not enlarged to cover unpatented, unfinished or uncut pieces of lens material or non-Tuohy patent items despite some rather broad language in paragraph 2. Because of the Court's later factual and legal conclusions that a broader interpretation and application of the royalty base are illegal as violations of the anti-trust laws, restraints on trade and unfair competition, the Court adopts a construction of this instrument which renders it legal and valid, rather than illegal (a construction always to be preferred), and further adopts another cardinal rule of contract construction by construing the agreement most strongly against the party who caused the document to be prepared and placed in circulation.

(g) The current form of Plastic license agreement, not having been enforced by Plastic according to any evidence before this Court is an illegal or improper manner by covering non-Tuohy-type devices in its royalty base, prior to the settlement, there is no justification for any finding that the issue as to a royalty base covering non-Tuohy-type or unpatented items either was or might have been involved in the former settlement.

(h) Assuming for purposes of argument only that there was any evidence in the current case that Plastic, prior to the settlement, was seeking to enforce a broader royalty base, covering unpatented or non-Tuohy-type devices (this being evidence which Plastic was required to produce in this case, in order to support its conten-

tion of res adjudicata or settlement), such evidence would not change the result in view of the clearly established circumstances in the present record that the conduct of Plastic in this respect was repeated and continuing in nature so that the settlement agreement and any provisions of the consent judgment applied only to damages and wrongs sustained by Butterfield from such supposed activity or from such broad royalty base provisions as may have occurred prior to the entry of the consent judgment and prior to the exchange of mutual releases under the settlement agreement.

(i) In the case of continuing or repeated wrongs or torts of the type involved under the Plastic license agreement or Plastic's acts thereunder, neither the settlement agreement nor the consent judgment affected anything except Butterfield's claims because of wrongs in this area committed prior to the time of the settlement. Both the stipulation of facts and the consent judgment bearing the approval of the parties expressly set forth that the parties had waived any rights for injunctive relief and that no injunction of any kind was sought or obtained. No provision of the settlement agreement or the consent judgment or filed stipulation attempted to validate, for the future, any of the acts or rights of the parties as they might have existed prior to the settlement except for the clearly stipulated provisions that both the Tuohy Patent and the Butterfield Patent should be recognized as valid, for purposes of the future relations of the parties, and that nothing in the settlement should prevent one party from soliciting the

other's licensees or suing the other's licensees for infringement. Except for these latter provisions there is nothing in any of the settlement documents or the consent judgment which operated prospectively on any of the conduct of the parties or their status or relationship as it might have theretofore existed. The Court therefore finds that there was no intent in either the consent judgment or any of the settlement documents to release, bar or approve, for future purposes, after the date of the settlement, either Plastic's conduct in asserting and enforcing a broad royalty base or a broad royalty base if properly provided for in the Plastic license agreements.

(j) The foregoing reasoning and facts apply equally even though the current Plastic license agreement, properly interpreted, provides for royalties on unpatented and non-Tuohy lenses. It was not intended by the parties to the settlement of the former action or by the consent judgment to validate prospectively the broad contractual royalty base contended for by Plastic since the settlement of the former action.

(k) The broad royalty base contended for by Plastic under its current license agreement, in any event, whether this rests on a misinterpretation or misapplication of the agreement by Plastic or by the correct application of contract terms, as applied to the facts in this case, is violative of the anti-trust laws, is an invalid restraint on trade and constitutes unfair competition. The detailed reasons for these ultimate findings will be later set forth and are, in the interests of brevity, here

incorporated by reference. Under the settlement agreement of the parties and the consent judgment, viewing it as a contract or a series of contracts, the parties were legally incapable of giving their approval to the executory portion of an illegal contract or illegal acts to be committed by Plastic thereafter, and the consent Judgment, properly construed, contains no adjudication whatsoever, including the order for dismissal of Butterfield's counterclaim in the former action, placing judicial approval on such an illegal contract or conduct.

(l) The wrongs of which Butterfield presently complains in his contentions are not the same as Plastic's conduct in the form of its enforced or contractually provided broad royalty base because this base has been combined with other wrongs all occurring since the time of the former settlement, thus giving rise to an entirely new tort or series of torts, so that the presently contended for wrongs are in no manner the same as the tort of the broad royalty base which Plastic contends was barred by the former settlement. As previously set forth, Plastic's application of its broad royalty base has not only been continuous subsequent to the time of the settlement, but also it has been combined with the claimed improper use of offers of indemnity against infringement of the Butterfield Patent, made by Plastic to its licensees, a course of instituted and threatened coercive litigation and misrepresentations to the trade, all designed, in combination with the royalty base, do damage Butterfield in the furtherance of his licensing program under his own competing patent. The specific situation involving the broad royalty base asserted by

Plastic cannot, therefore, be considered out of context with the other claimed illegal activities now contended for by Butterfield. If the combination of all of those elements gives rise to a new tort it is obviously not the same as that which Plastic contends might have been before the Court at the time of the last settlement. Therefore, consideration of this element as a basis for a possible new tort or series of torts committed against Butterfield by Plastic is not barred or foreclosed either by the settlement agreement or the consent judgment.

28. Corneal contact lens manufacturers in the United States, including Plastic licensees, in addition to manufacturing and selling complete and finished corneal contact lenses, also partially fabricate and sell to lens fitters and dispensers unpatented pieces of lens material known in the trade as "unfinished" and "uncut" devices which the purchasing fitters and dispensers use in, themselves, fabricating complete and finished corneal contact lenses. These fitters and dispensers fabricate said devices into finished corneal contact lenses having any desired diameter and curvature relationship to the patient's cornea, whether it be in accordance with the Butterfield Patent, the Tuohy Patent, or any other patent, and such unpatented pieces of lense material constitute a substantial part of the commerce between the several states of the United States.

Wesley Deposition, Ex. 12, pp. 10-11; Butterfield Tr. 278-80.

29. As previously set forth in Finding 27 (b), it was

clearly established in the evidence that after the settlement of the former action between the parties Plastic has consistently, in its dealings with its own licensees, who are prospective Butterfield licensees, sought to require them and did in fact require them to pay royalties under their license agreement on non-Tuohy-type lenses and on unpatented, unfinished and uncut lens devices. Plastic threatens to continue such practice.

30. For the purpose of exacting unjustified royalties on unfinished and uncut lenses and on non-Tuohy lenses, Plastic has filed and maintained and is threatening to file and maintain court actions against its licensees. Included in such court actions which are currently pending and being maintained are the following against its licensees who are also licensees of Butterfield:

> The Plastic Contact Lens Company, a corporation, vs. Richard Hunt, Marco Lens Co., a corporation, et al, Civil Action No. 528,952 in the Superior Court of the State of California in and for the City and County of San Francisco, Ex. 60.
>
> Wesley-Jassen, Inc., a corporation, and the Plastic Contact Lens Company, a corporation, Plaintiffs and Cross-Defendants; vs. Con-Cise Lens Co., Defendant and Cross-Complainant, Civil Action No. 528,422, in the Superior Court of the State of California in and for the City and County of San Francisco, Ex. 137-B.

31. At the time of the trial of the principal case Plasic had acquired a total of approximately 160 to 165 licensees, and of these, at the time of trial, approximately 135 represented apparently valid, active, outstanding li-

cense agreements, not represented by cancellations or terminations because the licensee had gone out of business or because of similar reasons. Practically all of the present Plastic license agreements are the same or substantially the same as Form 8 of Ex. 46, previously referred to, containing a royalty base which Plastic claims covers all devices, whether or not Tuohy devices.

Pre-Trial Order, Admitted Fact 6, R. p. 46; Pre-Trial Order, Admitted Fact 7, R. p. 46; List of Plastic's active licensees with date they signed license agreement, Ex. 109; List of Plastic cancellations, Ex. 123.

32. Plastic has consistently been collecting payments of royalties on this basis from its licensees in substantial amounts, as evidenced by Ex. 121, containing a breakdown of the Plastic royalty revenues by periods. This Exhibit shows that Plastic, subsequent to April, 1962, has collected at least $459,314.00 in royalties from its licensees calculated on this basis. There is no direct evidence in the record from which a determination can be made as to the approximate amount of these royalties which were calculated on pure Tuohy-type lenses and the amounts which were derived from royalties on unpatented, unfinished, uncut or non-Tuohy type lenses. Ex. 7.

33. There are more than 300 manufacturers of plastic contact lenses in the United States.

Pre-Trial Order, Admitted Fact 6, R. p. 46; Partial list of names of contact lens manufacturers in the United States, Ex. 132.

34. At the time of trial Butterfield held approximately 35 licenses from manufacturers and of these about 20 held licenses under both patents.

Pre-Trial Order, Admitted Fact 6, R. p. 46.

35. Of the total number of Butterfield licensees, 12 were in existence at the time of the settlement of the former action, he had acquired 12 additional licensees up to the time Plastic sent out to the trade its form letter offering special indemnity against claims for infringement of the Butterfield Patent (Letter, Ex. 54; form of indemnity agreement with list of signers, Ex. 75), and 10 licensees since the time of this offer of indemnity on December 10, 1962. The last licensee obtained by Butterfield, despite solicitation efforts by him, was under date of August 15, 1963, and the last group of licensees acquired by him were small in volume and did not substantially affect his royalty revenues.

Butterfield, Tr. 165-6; List of Butterfield licensees showing dates he first obtained license agreement, Ex. 73; List of Butterfield licensees who have ceased paying royalties, Ex. 74; Graph and schedule showing receipts by Butterfield from license agreement; Ex. 118.

36. The Plastic Contact Lens Company has its principal office and manufacturing establishment in Chicago, Illinois, has 24 branches throughout the United States, and competes with its own licensees in the field of manufacturing and sale of contact lenses as well as with other unlicensed manufacturers in this same field of activity.

Deposition of Wesley, Ex. 12, pp. 12-13, 16-18.

37. The manufacture and sale of contact lenses is highly competitive and the evidence shows that the constant trend since April, 1962, in the prices charged by manufacturers is downward so that the prevailing prices are approximately $3.00 per uncut lens and $3.75 per finished lens.

Butterfield, Tr. 276, 281-2; Dippery, Tr. 207; Conlogue, Tr. 310-313; Exs. 80-A, 80-B; Price lists covering manufacturers' prices on lenses. Ex. 124.

38. The prevailing license rate per lens under the Plastic licensing system is 50 cents per lens or per unpatented piece of lense material, and the prevailing Butterfield rate is slightly less than this amount.

See current Plastic license agreements, Form 8, Ex. 46; See forms of Butterfield license agreements, Ex. 117, some of which contain unitary royalty provisions at 50¢ per lens, and "paid-up" royalty at a flat monthly rate calculated as described by Butterfield (Tr. 284-6) as 37½¢ per lens.

39. The ordinary manufacturer with the low sales price of his lenses, whether Tuohy or Butterfield or some other type, cannot afford to pay double royalties amounting to $1.00 a lens or slightly less than that figure, without serious economic stress. This stress becomes much greater when royalties in similar amounts are exacted by Plastic from its licensees on unpatented, unfinished and uncut lenses which they may handle and which will not be made into Tuohy-type finished lenses but which will be completed in accordance with the teachings of the Butterfield Patent.

40. The commerce in the manufacture and sale of contact lenses and the competing licensing systems of the parties to this case is interstate in character and interstate commerce is directly and substantially affected by it.

Butterfield, Tr. 365.

41. That licensees of Plastic, comprising a substantial part of Butterfield's potential market for his license agreements, objected to and could not afford to pay double royalties on either finished or unpatented unfinished lenses, including lenses of the Butterfield type, was clearly established by numerous items of correspondence in the record and by the testimony of witnesses. What is even more significant is that this evidence, all of which was offered by Butterfield, was in no manner controverted or challenged by any evidence offered by Plastic.

Butterfield, Tr. 185, 188, 190, 269, 351; Conlogue, Tr. 310-312; Dippery, Tr. 207; See the following correspondence between Plastic and its licensees and Butterfield and his licensees or potential licensees; Corresp.—Acon Laboratories, Exs. 81A-B, 23a, b; Conlogue (Procon), 80A-B; Tanco, Ex. 88-B, Ex. 30; Bell Optical, Denver, Ex. 91B, Ex. 29; Spokane Optical, Ex. 17A, B, C; Dr. Robert Shumate, Ex. 18A, B.

42. At the time of the settlement and termination of the prior litigation, and by correspondence immediately thereafter with Plastic's attorneys, Butterfield and his attorneys attempted to have Plastic join with Butter-

field in publishing to the trade a joint statement describing the terms and conditions of the said settlement and termination, which attempts were rejected by Plastic and its attorneys. In this correspondence, the attorneys for Butterfield and Plastic agreed that the Consent Judgment and the Stipulation of Facts and Matters on file with the Court should be made known to the trade, but that the terms and conditions of the Settlement Agreement, which was not filed, should not be made known to the trade. In the conduct of his licensing program since said settlement, Butterfield and his attorneys have conformed to said agreement and did not make the Settlement Agreement known to the trade until after Plastic had done so in the Fall of 1962.

Deposition of Wesley, pp. 50-54, Ex. 12; Mason, Tr. 503-4; Correspondence between Mason and Van Sciver from May 16 to May 25, 1962, inclusive, Ex. 47-52, inclusive.

43. During the period from April, 1962, up until December 10, 1962, when Plastic made its widespread offer of indemnity to its licensees against claims for infringement under the Butterfield Patent, Butterfield was actively out in the field soliciting license agreements from both Plastic licensees and others. During this period he made significant, though not outstanding progress, and, as stated previously, obtained approximately 12 new licensees. During this time he repeatedly met with statements and communications from manufacturers interviewed that they were making a Butterfield-type lens with the qualities and characteristics previously described in these Findings but that they would

not or could not pay double royalties on Butterfield lenses. In many instances Butterfield failed to obtain license agreements after meeting a response of this kind. In most instances Butterfield or others on his behalf either viewed the lenses in question or obtained samples to satisfy themselves that a prospective licensee was actually making or handling Butterfield-type lenses.

Butterfield, Tr. 171, 173, 183, 185, 186, 188, 190, 192, 264, 269 344, 345, 351; Dippery, Tr. 205, 208, 234, 222, 235, 237; Conlogue, Tr. 310, 315, 320; See also Exhibits: Dippery Report of Oct. 11, 1963, Ex. 84A; Vision Clear Correspondence, Ex. 41-41E; Northwest Northern Dealings, Ex. 83-83R; Rich-Tint Dealings, Ex. 87A-C.

44. During this same period, substantial numbers of prospective licensees of Butterfield were making the Butterfield-type of lens and there was a substantial demand in the manufacturing and fitting trade for a Butterfield-type lens. Several manufacturers were called by Butterfield who testified to the substantial use of Butterfield lenses in their own operations and described the type of lens they deemed to comply with the teachings of the Butterfield Patent. No contrary witnesses or evidence were offered by Plastic.

Conlogue, Tr. 315, 320; Dippery, Tr. 208; Satterlee, Tr. 462-3; Butterfield, Tr. 171, 173, 185, 264-6, 351, 391-2.

45. It is clear from the same portions of the record that large numbers of manufacturers who held Plastic licenses under the Tuohy Patent and who were paying

on the basis of Plastic's claimed broad royalty base, admitted that they were making a Butterfield-type lens but declined to deal with Butterfield, nevertheless.

46. On October 25, 1962, Plastic sent out to all of its licensees a form letter (Ex. 53) purporting to explain the settlement it had made with Butterfield in the preceding April, after a lapse of some six months during which it had been attempting to keep its licensees in line on its broad royalty base. After referring to the settlement, and without describing it, this letter in substance stated:

(a) That Plastic had "recently settled" its patent litigation with Butterfield. In fact this settlement had been made more than six months before in April of 1962.

(b) A settlement was reached with Butterfield to avoid further expenses of litigation and exposure to the risks of litigation.

(c) Plastic was fully released by the settlement "from all claims alleging infringement of the Butterfield Patent."

No statement was made that Butterfield or Butterfield & Son were similarly released, no statement was made that Solex had been found guilty of infringing the Butterfield Patent and that Plastic had agreed to pay Butterfield for this infringement. Furthermore, Plastic failed to state that it already held a Butterfield license which protected it from infringement claims, so that a release was unnecessary.

(d) That as consideration for Plastic's release by

Butterfield, Plastic had given the right to Butterfield to grant to Butterfield & Son and to four other Butterfield licensees licenses under the Tuohy Patent.

(e) That these Butterfield licensees, Titmus, Rogers, Southern Contact Lens and Utah Optical, were thus included in the settlement arrangement "because the Butterfield interests had indemnified them against liability arising from their infringement of the Tuohy Patent."

Ex. 117, Butterfield, Tr. 433-5.

(f) There is a failure to point out that Solex was determined in the settlement to have infringed the Butterfield Patent. No explanation is made in the letter that both parties recognized the validity of the other's patent, that Plastic already held a Butterfield license agreement, and that each party recognized the right of the other to solicit one another's licensees and bring infringement actions against them. To a trade, then under active solicitation by Butterfield, the omissions of these material facts could not have resulted in anything except severe detriment to Butterfield in his solicitation efforts.

(g) That the settlement with Butterfield did not constitute the granting of a license under the Tuohy Patent "upon terms and conditions more favorable" than those provided in the Plastic standard license agreement.

Plastic license agreement, Form 8, Ex. 46, p. 6.

The foregoing form letter, by its omission to state many material facts concerning the settlement, sent

out as it was some six months after the settlement, was obviously deceptive and designed to cause Butterfield difficulties in the promotion of his licensing program which, by contract, specifically included permission to solicit Plastic licensees.

47. In the period prior to the form letter of October 25, 1962, the correspondence files of Plastic with several of its licensees and their counsel deal with the subject of whether or not the Butterfield settlement, by extending Tuohy licenses to five Butterfield licensees, invoked the operation of Plastic's most favored nation clause.

See the following items of correspondence: Mueller-Welt, Ex. 22a, b. c; Univis, Ex. 25a-e, 69; Precision Cosmet, Ex. 26a-d; Kontur Contact, Ex. 27-27c; Contact Lens Guild, Ex. 32; Conforma (Goldberg), Ex. 33-4.

(a) While Plastic may have had some reason for sending out the letter of October 25, 1962, because of possible difficulties over the most favored nation clause, it had no right to misrepresent to the trade, mainly by concealment and non-disclosure of relevant terms, significant and compelling circumstances of the settlement. It assumed the burden of explaining the settlement and did so in a manner which could only have been detrimental to Butterfield.

(b) Some correspondence between Plastic and at least one of its licensees in the period prior to October 25, 1962, shows that Plastic did disclose certain of the terms of the unfiled settlement agreement, and the letter of October 25, 1962, is a partial disclosure, at least,

of the terms of this unfiled settlement document.

Ex. 69—letter of August 3, 1962, Van Sciver to Biebel.

(c) Butterfield did not make public the terms of the unfiled settlement agreement until after said terms were made public by Plastic, and both Mason and Butterfield recognized that, during the settlement discussions in April, 1962, there was an understanding that the unfiled provisions of the settlement agreement should not be made public.

Ex. 47, 49 (Correspondence — Mason and Van Sciver); Butterfield, Tr. 445; Mason, Tr. 504.

(d) That the letter of October 25, 1962, purported to be a full and fair explanation of the circumstances and facts of the Butterfield settlement is clear. In the opening paragraph of Plastic's circular letter of December 10, 1962 (Ex. 54) to its own licensees offering them indemnity against claims for infringement of the Butterfield Patent, it stated that, "under date of October 25, 1962," it wrote to its licensees "advising them of the circumstances under which the Plastic Contact Lens Company recently settled its patent litigation with George H. Butterfield, Sr., and his company."

48. On December 10, 1962, Plastic sent out to its licensees the previously mentioned circular letter (Ex. 54) offering indemnity against infringement of the Butterfield Patent. The form of indemnity agreement (Ex. 75) was enclosed. These letters and indemnity forms were sent to all Plastic licensees and, as of the date of trial, approximately 40 of such licensees had accepted the

offer and executed the indemnity form. A few of those who signed included Butterfield licensees, and the offer of indemnity was obviously made to any Butterfield licensee who also held a Plastic license.

Pre-Trial Order, Admitted Fact 10, R. p. 47; Letter offering indemnity, Ex. 54; Indemnity agreement with list of signers, Ex. 75; Plastic's answers to Interrogatories Nos. 1, 2, 3, 4, 6 and 10 to Plaintiff's Second Interrogatories, Ex. 6.

49. Since the offer of indemnity by Plastic, Butterfield has obtained only 10 additional licensees, all small in number, the last being obtained August 15, 1963. During this time Butterfield continued his efforts.

Butterfield, Tr. 165-6; List of Butterfield License agreements and dates, Ex. 73; Dippery, Tr. 207, 209-10; Ex. 84A; Statement of Butterfield royalty revenues, showing no substantial increase since this date, Ex. 118.

50. At or about this same time Plastic entered into a program of litigation against certain of its non-paying licensees who had either had dealings with Butterfield over a license agreement or had obtained a Butterfield license agreement, designed to coerce and restrain not only the sued Plastic licensees but other Plastic licensees from dealing with Butterfield, under the threat of litigation which would involve not only the amount of unpaid royalties but conspiracy damages for alleged activities in dealing with Butterfield to damage and injure the Plastic licensing system. These actions included an action against Security Contact Lens of Los Angeles in the California state court (Complaint, Ex. 58), an ac-

tion against Midwest Scientific Co. of Chicago, in the Illinois state court (see conspiracy charges in supplemental complaint and second supplemental complaint, Ex. 61 and 62), an action against Mueller-Welt (Ex. 100), and an action against Con-Cise Lens Co. of San Francisco, in the California state court at San Francisco against Marco and Hunt, both being licensees of Plastic and of Butterfield, also naming Mason, Butterfield and Butterfield & Son as defendants (Ex. 60). In all but one of these actions a count or allegations appear charging that the defaulting Plastic licensee has conspired with Butterfield and his attorneys to damage the Plastic licensing system, and recovery is asked not only for defaulted royalty payments but for substantial sums as conspiracy damages. In the Mueller-Welt case, conspiracy is charged, but the conspirators are not named.

Ex. 137b.

51. The litigation previously described was wholly groundless and, in view of its coordination with the other activities of Plastic in these Findings described, was brought for the wrongful purpose and effect of inducing persons in the trade not to deal with Butterfield.

(a) The litigation against Security Contact Lens Company in Los Angeles was finally terminated by settlement with a dismissal of the action at law and counterclaim by agreement of the parties with prejudice and without costs (Ex. 119). Despite the allegations of defendant's counterclaim, in the instant case, concerning alleged conspiracy and intermeddling by Butterfield

and his attorneys, there was no evidence whatsoever of any connection between Butterfield or any of his attorneys with Plastic's licensee, Security Contact Lens, and the only evidence on this subject was from Mason and Butterfield who completely negatived any dealings upon which such charges might have been based.

Mason, Tr. 490; Butterfield, Tr. 189-90.

(b) The Mueller-Welt conspiracy charges were groundless.

Mason, Tr. 497-8; 556; Butterfield, Tr. 190-1.

(c) As to the litigation against Midwest Scientific Company in Chicago, the only evidence is that of Butterfield and Mason, and both of these witnesses established that no improper relations of the type claimed by Plastic took place. This action was against a non-licensee of Plastic when Plastic's supplemental complaint charging conspiracy was filed and involved an issue as to the validity of the Tuohy Patent. Butterfield had no dealings with Midwest Scientific Company except to obtain a license agreement, while the litigation was pending. Mason was retained by Midwest as its patent attorney in the Midwest case and first appeared in the case in July, 1962.

Butterfield, Tr. 176-7, 354, 363; Mason, Tr. 486; Notice of Mason's formal appearance in case (Ex. 139).

(i) Mason's relationship was solely with Midwest, his activities as an attorney at law were directed toward issues of validity and infringement of the Tuohy

Patent, and his bills were rendered to and paid by Midwest. Butterfield had no part in their payment and played no part in the employment of Mason.

Mason, Tr. 488-9; Butterfield, Tr. 176-7, 354-6.

(ii) Mr. Patrick Ford, then an office employee in the Portland office representing Butterfield, Pendergrass, Spackman, Bullivant & Wright, played a limited part in this case by arranging depositions for and at the request of Mason, in the northwest, of individuals possibly saving knowledge as to some of the prior art in the contact lens field, which might have a bearing on the validity and scope of the Tuohy Patent. Neither this law office nor Mr. Ford played any other part in this litigation, Butterfield had no connection with the arrangement, and Mr. Ford's firm's bill was paid directly by Mason who, in turn, was paid by Midwest.

Mason, Tr. 488-9; Butterfield, Tr. 363-4; File of correspondence involving attorney Ford's activities, Ex. 97 through 97a to 97-1, inclusive; Paid statement of Pendergrass, Spackman, Bullivant & Wright, August 31, 1962, *Solex* v. *Midwest,* Ex. 134.

(iii) Plastic introduced no evidence whatsoever of any improper connection or dealings concerning this litigation. This litigation terminated in a settlement made after Mason's withdrawal.

Mason, Tr. 488; Ex. 120 for settlement agreement.

(d) The evidence concerning the litigation between Con-Cise and Plastic is equally lacking in any plausible basis for any charges of improper cooperation

or conspiracy between Butterfield and his attorneys on the one hand and Con-Cise, a Plastic licensee, on the other.

(i) Mason was retained in this case at the request of Mr. Tiret, an executive of Con-Cise, on or shortly prior to September 27, 1962.

Formal notice of association of Mason as attorney in case, September 27, 1962, Ex. 138; Tiret, Tr. 426-7; Mason, Tr. 491-2.

(ii) In the pleadings in that case, Mason, as associate counsel, filed pleadings challenging the validity of the broad Plastic royalty base.

Pleadings in *Plastic* v. *Con-Cise* Ex. 137 b.

(iii) Tiret's company, Con-Cise, had a royalty agreement with Plastic which went into default before the settlement agreement of April, 1962, and Tiret's company entered into a license agreement with Butterfield subsequent to the settlement. Mason, Butterfield and Tiret all testified fully concerning the circumstances of this relationship and there is no evidence whatsoever of any improper dealings by Butterfield or his attorneys concerning the defaults by Con-Cise in their Plastic license agreement or of any activity designed to damage the Plastic licensing system.

Mason, Tr. 493; Butterfield, Tr. 363; Tiret, Tr. 425, 427; Tiret Deposition, Ex. 146 (in *Plastic* v. *Hunt, et al*), p. 9, line 20 to p. 11, line 13; See also deposition of Marlin D. Parker, Ex. 103, formerly an executive of Con-Cise during the time of its dealings with Plastic

and Butterfield, showing clearly the absence of any foundation for charges of conspiracy or improper dealing; p. 23, line 18, to p. 24, line 21, p. 43, lines 11 to 19; p. 44, line 10, to p. 45, line 4.

(iv) There is correspondence indicating that someone in the trade felt that there should be trade contributions toward litigation costs in the Con-Cise litigation, but there is no evidence whatsoever of any trade contribution to Mason's fees, and Mason testified that he did not authorize such efforts (but Parker's deposition states that Mason said that "it would be okay to write such a letter"), and that he had received only $600.00 in fees from Con-Cise, all paid by Con-Cise itself.

See part of Ex. 103, letter, Parker to Hunt, Tr. 519; See part of Ex. 59, letters, Tabin to Breger, January 3, 1963, Breger to Goldberg, January 9, 1963; Mason, Tr. 493, 517-37, 555-6; Tiret Deposition, Ex. 146, p. 11, lines 4-13; p. 16, line 19 to p. 18, line 22; Parker Deposition, Ex. 103, p. 35, line 7 to p. 41, line 21; p. 45, line 5 to p. 46, line 2; p. 48, lines 8-10.

(e) The Plastic licensees involved in the San Francisco litigation by Plastic in which Butterfield, Mason, and Butterfield & Son were also named as defendants were Hunt and Marco. Both of these were also licensees of Butterfield.

Pleadings in *Plastic* v. *Hunt*, Ex. 60; File of Butterfield licensees, Ex. 73; Butterfield, Tr. 356; Boyle, an executive of Marco, called as witness,

Tr., 244; Boyle deposition, p. 15, lines 16-25; p. 40, lines 6-21; and Ex. 101a to 101w, inclusive, the exhibits being a part of the Boyle deposition; Hunt deposition, p. 12, lines 1-9; p. 17, lines 16-19, Ex. 149.

(i) Butterfield had no dealings with Hunt whatsoever except to enter into a license agreement with him under the Butterfield Patent and subsequently had to sue Hunt under the license agreement for unpaid royalties. This action by Butterfield against Hunt was filed some time ago and is still pending.

Butterfield, Tr. 357; Pleadings in *Butterfield* v. *Hunt,* Ex. 137a; Hunt Deposition, Ex. 149, p. 16, lines 12-15; p. 44, line 15, to p. 45, line 4; p. 61, lines 8-18.

(ii) As to the defendant Marco in this case, both Boyle and Butterfield testified to no dealings whatsoever except for the taking of an oral license from Butterfield by Marco.

Butterfield, Tr. 359-61; Boyle, Tr. 244-6, 249-50; Boyle Deposition, Ex. 101, p. 22, lines 23-26; p. 44, lines 18-22; p. 46, lines 2-23; p. 47, lines 10-13; p. 61, line 14, to p. 62, line 7.

(iii) Concerning both licensees Hunt and Marco, Mason testified that he had had no relations with either of them whatsoever, and neither Hunt nor Boyle, or Marco, gave any evidence concerning any improper relations or activities by Mason, or any improper dealings with Plastic licensees.

Mason, Tr. 500-2, 506; Mason Deposition, p. 23, line 8, to p. 24, line 25, Ex. 102; Boyle, Tr.

248-9, 250, 259; Boyle Deposition, p. 46, lines 2-25, p. 50, line 24, to p. 51, line 22; Ex. 101; Hunt Deposition, p. 43, line 18, to p. 44, line 14, Ex. 149.

(iv) In this litigation against Hunt and Marco, commenced in January, 1963, the case as against Mason was dismissed voluntarily by Plastic in November, 1963, only after Plastic through its attorneys had taken Mason's adverse party deposition.

Mason Deposition, Ex. 102; Mason, Tr. 553.

(v) The depositions of Tiret, Parker, Hunt and Boyle, previously above described, were all taken by Plastic's counsel in the San Francisco litigation of *Plastic v. Hunt and Marco, et al,* after the action was filed. None of these depositions demonstrates any basis whatsoever for the litigation or the charges made. Mason, in this same litigation, filed a motion for summary judgment, because of lack of support for the case, and this was resisted by an affidavit of Plastic's San Francisco counsel, Mr. Hoppe (Ex. 59), clearly showing the lack of any information or evidence upon which to base the charges made. In essence, many of the charges in Plastic's counterclaim in this principal case are centered around charges of improper activities by Butterfield and his attorneys in relationships with Plastic licensees or their attorneys.

52. The lack of any adequate foundation for Plastic's claims which are in effect the same as the charges made in the litigation above described is further demonstrated in Plastic's answers to Plaintiff's Third In-

terrogatories, dealing with Plastic's counterclaim herein (Ex. 7). In these interrogatories, Butterfield's counsel were attempting to compel Plastic to set forth the basis for such charges and, except for the areas previously described, the regions of possible improper contact set forth by Plastic in their answers to these interrogatories appear in the answers to Questions Nos. 3 and 22.

(a) These show that there is litigation between Plastic and W.R.S. Contact Lens Laboratories. Correspondence between Bullivant, one of Butterfield's attorneys Ex. 86 to 86b inclusive, occurred in October, 1963. This occurred after the present action was filed, in an effort by Butterfield's attorneys to ascertain whether or not Plastic was charging in its litigation with W.R.S. that Butterfield conspired with W.R.S. to damage Plastic. Similarly, there was some correspondence between Mason and Bader, the attorney for W.R.S., all occurring between October, 1963, and February, 1964 (Ex. 144), looking toward a possible meeting between Bader and Mason which never took place. All of this occurred long after Plastic had sued Mason for conspiracy in January, 1963, and after the Butterfield case against Plastic was filed in Portland in Federal Court in July, 1963. In view of the contentions made by Butterfield in his pleadings in this case that the charges hurled by Plastic against Mason and Butterfield were groundless, the Court finds nothing wrong in the efforts of Butterfield's attorneys to contact other attorneys litigating with Plastic to determine the nature of the pleadings and proceedings involved.

(b) Defendant's answers to the interrogatories above described infer some improper dealings between Butterfield's attorneys and Dr. Noel Genevay, of New Orleans. The evidence shows that the dealings of Bullivant, attorney for Butterfield, all took place in New Orleans in a personal meeting between Bullivant and Genevay's attorneys in January, 1963, held for the purpose of discussing a possible license between Butterfield and Genevay.

Correspondence, Ex. 96 to 96d, inclusive; Butterfield, Tr. 346.

(c) The Court finds that the correspondence issued by Mr. Breger or by his counsel (attachments to Ex. 59, letter, January 3, 1963, Tabin to Breger, letter January 9, 1963, Breger to Goldberg) pertaining only to Mr. Mason, shows nothing whatsoever improper on Mason's part and that Mason did not have any knowledge of any effort by Breger or his group to solicit funds for counsel fees.

Mason, Tr. 517-37, 555-6.

(d) While Ocular Products, Inc., of New York is mentioned in the answers to these interrogatories as a possible source of improper contact, both Butterfield and Mason have testified that there was no relationship whatsoever in this area, and there is no evidence whatsoever supporting any charge of conspiracy involving this Plastic licensee.

Butterfield, Tr. 345; Mason, Tr. 499.

53. Since the time of the settlement agreement Plas-

tic has improperly asserted as its policy in the trade that the Butterfield Patent is inoperative, highly restricted in scope and lacks utility. It has also asserted an unduly wide scope for its Patent, including correspondence claiming the Tuohy Patent to be of pioneer nature and stating its susceptibility to broad and liberal construction.

Wesley Deposition, pp. 107-111, 112-114, Ex. 12; Opening statement of counsel in this case, Tr. 44-45; Ex. 95, attached letter of July 8, 1963, McClure to Vision Clear.

54. It has further, in correspondence, misrepresented, to a material degree, the nature of the settlement it made with Butterfield. Van Sciver, its attorney, in writing to Biebel, attorney for Univis, a substantial Plastic licensee, after being advised by Biebel in his letter of July 27, 1962, that "Mr. Butterfield continues to press his claim for infringement against Univis . . . ," stated in his reply letter of August 3, 1962, in referring to the settlement, "that Geo. H. Butterfield & Son has acknowledged that the Tuohy Patent is good in law and has been infringed by it." Under the settlement documents, no party acknowledged any infringement of patent except that Plastic agreed that Solex had infringed the Butterfield Patent.

See Ex. 69 for Biebel-Van Sciver letters.

55. The effectiveness of the offers of indemnity by Plastic to its licensees, in December, 1962, in preventing them from dealing with Butterfield for a license, despite their manufacture of Butterfield-type lenses, is

demonstrated by the cases of two Portland and one Vancouver, Washington, manufacturers holding Plastic licenses who were sued by Butterfield for infringement or threatened with suit after Butterfield had proof, through sample lenses, of their making of Butterfield-type lenses. These were the instances of Columbian Bifocal, of Portland, Northwest-Northern and Paramount, of Portland, and Rich-Tint, of Vancouver, Washington.

(a) Butterfield had proof that Rich-Tint and Northwest-Northern, both holding Plastic licenses, were making Butterfield lenses, yet declined to take a license from him.

Butterfield, Tr. 173, 182-3.

(b) Butterfield sued both Northwest-Northern and Rich-Tint in the United States District Court for the District of Oregon before either of these concerns had accepted Plastic's offer of indemnity for claims asserted for infringement of the Butterfield Patent. Each action was settled after appearance by attorneys for each licensee by the entry of a consent judgment and the taking of a Butterfield license.

See Exs. 83a, 83p, as to Northwest-Northern; 87c, 87a, as to Rich-Tint.

(c) A substantially similar result was obtained with respect to Columbian Bifocal as against whom the complaint was prepared but never filed after meetings between the attorneys for Butterfield and Columbian Bifocal. In each of these three instances the evidence shows that the attorneys for each licensee corresponded with the attorneys for Plastic, bitterly complaining of

Plastic's unwillingness to extend indemnity against claims for infringement of the Butterfield Patent and the conclusion is inescapable that, if any of these Plastic licensees had previously obtained an indemnity agreement from Plastic, they would not have settled with Butterfield by taking a Butterfield license, despite their manufacture of Butterfield-type lenses.

Butterfield, Tr. 174, as to Columbian Bifocal dealings; Correspondence concerning Columbian Bifocal, Ex. 94 to 94h inclusive, and Ex. 56 and Ex. 70; Pleadings and correspondence concerning Northwest-Northern and Paramount, Ex. 83 to 83r, inclusive, and Ex. 39a to 39r, inclusive; Pleadings and correspondence concerning Rich-Tint, Ex. 87 to 87b, inclusive, and Ex. 38 to 38b, inclusive.

56. Plastic's offer of indemnity by its circular letter of December 10, 1962, with the accompanying indemnity agreement, was wrongful, done with intent to improperly injure Butterfield in his licensing program and was wrongfully used with the purpose and effect of preventing Butterfield from obtaining additional licensees.

(a) Prior to the actual offer of indemnity to its licensees, Plastic had been approached repeatedly by various of its licensees pointing out variously that they had been solicited by Butterfield, that they could not or would not pay double royalties on Butterfield lenses, or expressing concern on the part of several as to whether they were justified in continuing to deal with Plastic and pay double royalties.

United Optical, Ex. 15a-b; Contact Lens Co. of

America, Ex. 16, a, b; Univis, Ex. 25a-e; Precision Cosmet, Ex. 26a-d; Marvin Nelson, Ex. 82a-b; Erickson Optical, Ex. 19a, b, c; Raycon, Inc., Ex 20a, b, c; Yakima Contact Lens, Ex. 55; Spokane Eye Clinic, Ex. 92B; Global Contact Lens, Ex. 13B, C; Wisconsin Optical Ex. 14a, b, c, d, e; Dist-O-Con, Ex. 21a, b; Cal-Con, Ex. 24a, b, c, d, e; Tanco (Tannehill) Ex. 88a, b, c, d, e f; Bostick Optical Ex. 28; Custom Contacts, Ex. 31.

(b) In its letter of December 10, 1962 (Ex. 54), Plastic, after stating that it had advised its licensees in its letter of October 25, 1962, concerning the circumstances of the settlement, stated that "concern was expressed by a few of our licensees after this notification that they might be exposed to liability under the Butterfield Patent." Obviously, Plastic feared that many of its licensees making Butterfield lenses would not continue to pay royalties on such lenses to Plastic and would protect themselves against infringement liability by taking a Butterfield license. The inference is clear that, in order to head off this revolt and continue to exact royalty and toll on Butterfield-type lenses, Plastic then made its offer of indemnity. The offer could have been made only for the purpose of inviting its licensees to continue to make Butterfield lenses without the payment of royalties to Butterfield and to look to Plastic for indemnity.

(c) The indemnity agreement offered by Plastic fails to condition the offer of indemnity to devices which are made in accordance with the teachings of the Tuohy Patent. This agreement provides in paragraph 2 that

Plastic will indemnify a licensee "against any and all claims for infringement under Butterfield U. S. Patent No. 2,544,246 with respect to devices sold by licensee during the period beginning on the date hereof and ending at such time as this agreement shall be terminated." The agreement in paragraph 1 expressly reaffirms the duty of the licensee "faithfully to report and pay royalties to licensor in accordance with the provisions of paragraphs 2, 3, and 4 of said patent license . . . upon all devices as defined in said patent license, that are sold by licensee during said term." The agreement, moreover, in addition (a), paragraph 2 in measuring the amount of the indemnity, refers to an award of damages to be finally adjudged against the licensee, and provides that Plastic will pay 85% of such award "on devices sold by licensee during the term hereof and on which licensee shall have paid royalties to licensor as provided in paragraph 1 hereof."

Ex. 75.

The quoted material from the indemnity agreement removes all doubt that it was Plastic's intent not only to indemnify against only claims arising under the Butterfield Patent but to continue the claim of a broad royalty base which it sought to enforce on non-Tuohy and non-patentable items under its original license agreement. There is no limitation whatsoever in the indemnity agreement that the protection it affords is limited to devices made under the teachings of the Tuohy Patent. Plastic's offer of indemnity in conjunction with its existing claim of broad royalty base was a clear invitation to all of its licensees to continue to trespass on

Butterfield's rights under his Patent and look solely to Plastic for indemnity.

(d) As a licensee of Butterfield under the Butterfield Patent and because of the consent judgment and settlement in which it again recognized the validity of the Butterfield Patent and agreed that Butterfield might solicit Plastic licensees, Plastic is estopped and precluded from carrying out such indemnity agreements, for reasons more fully hereafter stated in the Conclusions of law. This estoppel, as the Court hereafter determines, is an estoppel to challenge that it has utility and a useful scope as well as an estoppel to aid and assist its licensees in infringing the Butterfield Patent, because of its duty in good faith to carry out the terms of the settlement agreement. Additionally, the Court finds that the use of these indemnity agreements is a breach by Plastic both of its license agreement with Butterfield and of the implied and express terms of the consent judgment, stipulation and settlement agreement.

57. Plastic's application of its royalty base in its license agreement to all types of corneal lens devices, whether Tuohy or not, and whether patentable or not, wrongfully and illegally restrained trade and violated the antitrust laws to the injury and detriment of Butterfield.

(a) There is no evidence whatsoever in the record justifying any claim by Plastic that convenience of accounting is a proper excuse for such a broad royalty basis. Plastic called no licensees and no one from its

own administrative staff to testify to any difficulties which might exist in this area.

(b) The broad royalty base enforced by Plastic, whether justified by its license contract or not, is an illegal effort to extend the legitimate monopoly of Plastic under the Tuohy Patent to large quantities of non-Tuohy devices and the enforcement of this provision necessarily causes Plastic licensees to refuse to deal with Butterfield and others who may have legitimate claims for royalties under their own patents.

(c) Some contention was made at the trial by Plastic that Butterfield himself, in his license agreements, employed a royalty base which was broader than a pure Butterfield-type of lens. Butterfield's license agreements were all placed in evidence as Exhibit 117. The Court finds that these agreements do not support Plastic's contentions in this respect.

(i) These license agreements of Butterfield fall into three categories: Four of them only, Titmus, Utah Optical, Mann Instrument Company and Southern Contact Lens, call for a payment of a royalty based on five per cent of the gross sales of contact lenses by the licensee. These agreements all preceded the settlement of April, 1962, and all of them, with the exception of Mann Instrument Company, became Tuohy licensees, through Butterfield, as a part of the settlement. Therefore, whether or not Tuohy lenses or Butterfield lenses were covered in the royalty base becomes immaterial.

(ii) The next class of Butterfield license agreements is the so-called paid-up license form, and these

are the most numerous, as shown in the last mentioned Exhibit. Butterfield testified, Tr. 284-6, as to the method of computing the paid-up royalty provided for in this type of license. He bases it upon the volume of the prospective licensee in the previous year. The monthly average is ascertained and the monthly number of lenses is multiplied by 37½ cents per lens. This monthly rate is then applied for determining the total royalty for the remainder of the life of the patent. The licensee pays the thus-determined amount for the paid-up license and that amount is paid in equal instalments.

(iii) The third type of Butterfield license agreement is the so-called unitary type which rather clearly, under the forms in Ex. 117, calls for a royalty of 50 cents per lens only on lenses made under the Butterfield Patent.

(iv) Several of the royalty agreements of Butterfield contain express provisions that all unfinished lenses shall be sold by the licensee with a notice on the invoice that the lenses are to be finished only in accordance with the Butterfield Patent. Moreover, the evidence is undisputed that Butterfield used a rubber stamp (Ex. 115) which he provided to all of his licensees with instructions that they use the rubber stamp on their invoices. This rubber stamp contains instructions that the lenses involved are to be finished only in accordance with the Butterfield Patent. Butterfield, as the owner of the Butterfield Patent, had every legal right to authorize his licensees to in effect grant an oral sublicense to their buyers to finish lenses in accordance with the

Butterfield Patent. At least one Butterfield licensee, Con-Cise, uses a printed form on its invoice similar to the text of the rubber stamp.

Butterfield, Tr. 286-8; Butterfield, Tr. 288-9; Ex. 131; Tiret Deposition, Ex. 146, p. 38, lines 2-15; Parker Deposition, Ex. 103, p. 21, line 21, to p. 23, line 17; p. 25, line 24, to p. 26, line 1.

58. The Court, in addition to finding that Butterfield, by the wrongful acts of Plastic herein set forth, has been prevented from acquiring a substantial volume of new business under license agreements, further finds that, because of the same acts of Plastic, various Butterfield licensees have stopped paying royalties to him. This decrease in royalty revenue is reflected in the statement of Butterfield royalty revenue and the list of defaults appear. Typical of the refusals to pay, be cause of the activities of Plastic, are the cases of James Tannehill (see correspondence), and Dr. Conlogue who appeared as a witness. These licensees advised Butterfield that they were not paying either Plastic or Butterfield because they were unwilling to pay double royalties and it is clear in both cases that each licensee was making a Butterfield-type of lens.

Ex. 118; Ex. 74; Exs. 88a to f; Exs. 80 a, b; Butterfield, Tr. 270; Conlogue, Tr. 310-12.

59. The Court finds that the acts of Plastic in seeking to enforce a broad royalty base, in misrepresenting the terms of the settlement with Butterfield, in wrongfully challenging the scope and utility of the Butterfield Patent, in offering indemnity against infringe-

ment of the Butterfield Patent to its licensees and in bringing, maintaining and threatening to prosecute coercive actions against licensees who may deal with Butterfield or negotiate with him are wrongful, in tortious violation of Butterfield's rights, are illegal restraints on trade, violations of Federal antitrust laws against acts in restraint of trade, are unfair competition in that they wrongfully interfere with Butterfield's contractual relations with his licensees and with Butterfield's legitimate business anticipations in his licensing program and are a violation of the implied covenant of good faith in the settlement agreement, settlement stipulation and consent judgment involved in the settlement of the former litigation between the parties.

60. While the Court is unable at this time from the evidence now before it to make a reasonably accurate determination of the damage sustained by Butterfield as a proximate result of the wrongful conduct of Plastic, the Court finds that the damage and injury suffered by Butterfield from such conduct and the damage and injury he will sustain in the future are substantial and irreparable and that the wrongful conduct of Plastic, unless enjoined by appropriate injunction, will continue and will result in further irreparable damage and injury to Butterfield.

Ruling is reserved on the amount of damages sustained by the plaintiff by virtue of the acts of defendant until an accounting is had, as hereinafter directed. Likewise, the Court reserves ruling on the reasonable value of the attorney fees to be allowed to plaintiff.

61. The Butterfield Patent was issued March 6, 1951, and has only about 44 remaining months of the term for which it was granted, and the time and expense which would be required to institute and prosecute infringement actions against the numerous infringers in various jurisdictions would be prohibitive and the delay incident to the maintenance of such actions would result in the expiration of the Butterfield Patent before such actions could be completed. A large majority of the corneal contact lens manufacturers who would be defendants in such actions have limited financial means and for that reason alone many of the actions would quite likely be ineffective insofar as Butterfield obtaining any financial recovery for the infringements would be concerned.

62. The Court has already determined that substantial numbers of corneal contact lenses fitted and sold in the market today embody the principles of the Butterfield invention and are covered by the Butterfield Patent, and the Court expressly finds as untrue the contention of Plastic that the great bulk, if not all, of the successful corneal contact lenses fitted and sold embody the principles of the Tuohy Patent.

63. The Court further finds that the Butterfield Patent has been infringed by many of Plastic's licensees.

64. There is no evidence to support the charge of Plastic that Butterfield has asserted for his Patent a scope far broader than it actually has or that Butterfield has charged many manufacturers with infringe-

ment based on alleged over-broad pretensions as to the scope of his Patent.

65. Plastic did not offer its indemnity agreement in December, 1962, as claimed by Plastic, in a sincere effort to protect its licensees who were not making Butterfield lenses but, as previously found, said indemnity was offered for the purpose of preventing Plastic licensees making Butterfield lenses from dealing with Butterfield.

66. There is no evidence supporting Plastic's charge that Butterfield has repeatedly told Plastic licensees that their lenses did not utilize the Tuohy invention or that they need not pay royalties to Plastic on such lenses or that the royalty base provided in Plastic's license agreements was illegal, and the alleged defaults in Plastic's license agreements have not been brought about by any wrongful conduct on the part of Butterfield.

67. The Court finds as untrue the charge of Plastic that Butterfield, through his attorneys, has been an officious intermeddler in Plastic's suits and actions against its licensees by aiding and abetting such licensees through tendering legal advice or through encouraging them to band together or by providing legal services and talent for such parties.

68. Plastic has failed to establish, prove or justify any of its material allegations or contentions with respect to its counterclaim.

69. While Butterfield is a principal stockholder in Butterfield & Son, there is no evidence that Butterfield & Son is Butterfield's alter ego.

70. There is no evidence showing that Plastic has been damaged or injured in any sum by any act of Butterfield or any of his attorneys.

71. There is no evidence showing that Butterfield has ever asserted or contended for any broader scope of the Butterfield Patent than is described and claimed in and by said Patent.

72. There is no evidence showing that Butterfield has ever used the Butterfield Patent in any manner which violates the anti-trust laws of the United States.

73. The Court has carefully observed the manner and demeanor of the plaintiff and each of his witnesses, while on the witness stand, and, is convinced that plaintiff and each of said witnesses is worthy of belief.

Based on the foregoing Findings of Fact and the proceedings in this cause, the Court makes the following:

CONCLUSIONS OF LAW

I.

Butterfield is not estopped to raise the issues of unfair competition, restraint of trade and violation of the anti-trust laws due to Plastic's enforcement of a broad royalty provision in its license agreements. Neither the interpretation of these license agreements, the validity of the contractual base therein provided or the validity of Plastic's acts in seeking to enforce a broad royalty base were adjudicated, settled or disposed of in the consent judgment and supporting settlement documents.

II.

Butterfield is not estopped to raise issues of unfair

competition, restraint of trade or violation of the anti-trust laws due to Plastic's royalty practice, and such practice and conduct on the part of Plastic represent not only continuing wrongs giving rise to new causes of action but also subsequent misconduct, actions for which are not barred by the prior consent judgment and settlement agreement.

III.

Plastic, as a party to the prior consent judgment and settlement agreement, is estopped to challenge the validity of the Butterfield Patent and the other issues therein expressly concluded by agreement.

IV.

Additionally, the continued use by Plastic of such claim of broad royalty base, in combination with the other wrongs set forth in the Findings of Fact and in these Conclusions of Law, give rise to a new tort or wrong or series of new torts or wrongs in combination so that the same wrong or tort as that which might have been involved at the time of the settlement of the former action is not involved in the present litigation.

V.

Plastic's use of circulars, letters and other means of communication for the dissemination of false or misleading representations as to the operative effects of the Butterfield Patent and the scope and effect of the consent judgment and settlement agreement in the prior action between the parties, in an effort to induce Butterfield licensees and prospective licensees in the corneal contact lens field to discontinue or refuse to enter

into contractual relations with Butterfield, is actionable interference with Butterfield's contractual relations and business interests.

VI.

The institution or threat of institution of groundless and vexatious civil suits against Butterfield, his licensees and potential licensees by Plastic are wrongful and justifiable interferences with business relations and enjoinable acts of unfair competition and, when such suits and threats of suit are considered in relation to other related activities on the part of Plastic, an underlying unlawful scheme to suppress competition is revealed for which Butterfield is entitled to relief even if such suits are not entirely groundless.

VII.

Plastic's indemnity agreement is entirely different from the standard indemnity form used in patent licenses. The indemnity agreement, on the facts in this case, constitutes a wrongful bargain to indemnify another against the consequenses of committing a tortious act, and it is illegal since the performance of the tortious act under the evidence, to-wit: interference in dealings between Butterfield and prospective licensees and infringement of the Butterfield Patent and the offer of indemnity tended to and did bring about such acts.

VIII.

Plastic is estopped to challenge the operative effect or utility of the Butterfield Patent and is likewise estopped to challenge its validity.

IX.

Plastic, as a licensee of the Butterfield Patent, is

estopped to attack its validity and since the utility of the Butterfield invention is an essential requisite to patentability, Plastic cannot challenge the operative effect or utility of the Butterfield Patent.

X.

Plastic cannot use its legitimate patent monopoly as a method of suppressing competition or acquiring a monopoly outside the area of the monopoly which the patent grants or in any way extending the scope of the patent beyond that granted which it does through the exaction of royalties from its licensees on unpatented, unfinished and uncut pieces of material used in the manufacture of corneal contact lenses, as well as upon finished corneal contact lenses made in accordance with the Butterfield Patent.

XI.

Plastic is estopped to assert that the Butterfield lens is covered by any claim of the Tuohy Patent by the rule of patent construction, often referred to as "File Wrapper Estoppel," that a claim in a patent as allowed must be read and interpreted with reference to claims that have been cancelled or rejected.

XII.

An interlocutory decree should be entered permanently enjoining and restraining Plastic from:

(a) The dissemination of false claims and information concerning the lack of utility or claimed narrow scope of the Butterfield Patent,

(b) The dissemination of misleading, false, or erroneous information concerning the terms of the settle-

ment of the former action between the parties, including deceptive types of concealment and non-disclosure with respect thereto,

(c) The continued enforcement or use of a royalty base in its license agreements covering devices other than Tuohy-type devices,

(d) The continued use of an indemnity agreement with its licensees offering indemnity against claims for infringement of the Butterfield Patent,

(e) The institution, maintenance, prosecution or continued institution, maintenance or prosecution of actions against Plastic licensees wrongfully and without foundation charging alleged conspiracy with Butterfield or with others and the assertion of damages therefor, including any pending actions described in the Findings of Fact.

XIII.

An accounting should be had to fix the amount of Butterfield's damages growing from the conduct of Plastic as found in this litigation and a judgment entered for thrice the amount of such damages. At the same time the Court should fix the amount of attorney fees to be awarded to plaintiff.

XIV.

Realizing that an appeal may be prosecuted under the provisions of 28 U.S.C. § 1292 (a) (4), from my interlocutory decree, I shall not fix a time for hearing on the issues of damages.

DATED this 1st day of March, 1965.

JOHN F. KILKENNY,
District Judge

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APPENDIX E

SOLEX LABORATORIES, INC., and Plastic Contact Lens Company, an Illinois corporation, Plaintiffs and Counterdefendants,

v.

GEORGE H. BUTTERFIELD, Sr., and Geo. H. Butterfield & Son, a corporation, Defendants and Counterclaimants.

Civ. No. 60-107.
United States District Court
D. Oregon
Sept. 7, 1961.

KILKENNY, District Judge.

Plaintiffs charge that defendant George H. Butterfield, Sr., has infringed on what is commonly known as the Tuohy Patent, dealing with contact lenses for the human eye. The cause is before the Court on said defendants' motion for a temporary injunction restraining plaintiffs from instituting actions in other jurisdictions against licensees of the defendants, in which said licensees are charged with infringement of said patent, and enjoining plaintiffs from notifying members of the trade that corneal contact lenses constructed in accordance with defendant's patent infringe on the patent owned by plaintiffs. In support of the motion the defendants have produced evidence that subsequent to the filing of this cause the plaintiffs commenced two additional actions, one in Virginia and one in Texas, against certain licensees of the defendants, charging infringement of the

Tuohy Patent. At the hearing the defendants produced substantial evidence of the mailing by plaintiffs to members of the ocular trade of a series of threatening letters and circulars which in effect notified said members that the corneal contact lenses constructed in accordance with defendants' patent infringed on the Tuohy Patent. The motion of defendants presents three principal questions:

(1) Should plaintiffs be restrained from circularizing writing, advertising, or in any manner threatening or harassing the members of the ocular trade, or stating or implying to the trade or public that all contact lenses of the corneal variety are an infringement on the Touhy Patent, or

(2) Should plaintiffs be restrained from prosecuting pending actions against licensees of defendants, or

(3) Should plaintiffs be enjoined from prosecuting future actions against licensees of defendants.

[1] 1. Solex was the original party plaintiff in this cause. During the early stages of the proceeding it developed that Plastic had purchased all rights of Solex in the Touhy Patent and was joined as a party plaintiff. This transfer is noteworthy when we recognize that the plaintiffs were recently involved in litigation against each other presenting problems which were practically identical with those here presented. Solex Laboratories, Inc. v. Plastic Contact Lens Co., 7 Cir., 1959, 268 F.2d 637. Also of importance is the fact that Plastic was and is a licensee under the Butterfield patent and has been such a licensee for many years. While the material which

was circulated in the Solex Laboratories, Inc. v. Plastic Contact Lens Co. case was more all-inclusive than the literature used by plaintiffs in this case, it remains as a fact that plaintiffs continued to carry on activities in circularizing the trade quite similar to those condemned by the Court, at the request of Plastic, in Solex Laboratories, Inc. v. Plastic Contact Lens Co., supra. It seems quite clear that the parties should not be permitted to conduct such activities and possibly impair or destroy rights, the exercise of which is the major point in controversy in this litigation. Defendants are entitled to prevail on the first point of the motion.

[2] 2. The second point raises the question of whether the Court should exercise its discretion and enjoin the plaintiffs from further proceeding with the pending actions against licensees of the defendants. Plaintiffs argue that a final judgment in the pending proceedings will have little, if any, effect on those cases now pending before the District Courts of Virginia and Texas. They assert that they have independent causes of action against infringing third parties and that nothing will be accomplished by enjoining these actions. They point to the fact that the parties to the other actions are not the same, nor are they in privity so as to form a basis for the application of the rule of res judicata. On the other hand, defendants urge that the same parties are involved and that privity can be traced through the indemnity agreement with the one defendant licensee and the license agreement with the other.

Shortly after the adoption of the F.R.C.P., the Third

Circuit in Crosley Corporation v. Hazeltine Corporation, 1941, 122 F.2d 925, cert. den. 315 U.S. 813, 62 S. Ct. 798, 86 L. Ed. 1211, adopted a rule which seemed to be both rigid and absolute to the effect that the Court first obtaining jurisdiction over an issue and the parties should enjoin, during the pendency of that action, subsequent litigation in other jurisdictions. The decision in Crosley was deflated, if not completely rejected, in Kerotest Mfg. Co. v. C-O-Two-Fire Equipment Co., 342 U.S. 180, 72 S. Ct. 219, 96 L. Ed. 200, in which the Supreme Court held that wise judicial administration required that the issuance of a restraining order, under such circumstances, should be lodged in the sound discretion of the trial court.

A number of cases, including Joseph Bancroft & Sons Co. v. Spunize Co. of America, 2 Cir., 1959, 268 F.2d 522; Minnesota Mining & Mfg. Co. v. Polychrome Corp., 7 Cir., 1959, 267 F.2d 772, recognized the discretionary rule as announced in Kerotest, but continued to apply the strict, rigid and mechanical approach, i.e., same issues and same parties, which was used in Crosley. In my opinion, a hard and fast application of the doctrine of the same parties and same issues test entirely overlooks the possible application of the doctrine of a collateral estoppel hereafter mentioned. On the question of "privity," it would seem that the indemnity agreement would supply the link. Weyerhaeuser Timber Co. v. Bostitch, Inc., D.C.R.I. 1959, 178 F. Supp. 757. While this case involves a motion for a stay, rather than for an injunction which would interfere with the rights of a Court of equal dignity in another Circuit, the prin-

ciple announced would seem to be valid when applied to the injunction proceedings. Bechik Products v. Flexible Products, 2 Cir., 1955, 225 F.2d 603, 607. To apply the doctrine of res judicata, it is necessary that the subsequent determination involve the same parties or their privies. In Kessler v. Eldred, 206 U.S. 285, 27 S.Ct. 611, 51 L.Ed. 1065, it was held that a manufacturer, if he prevailed in an infringement suit brought against him by the patentee, could prevent the impairment of his rights under the judgment by enjoining the patentee from prosecuting suits against his customer. The scope of the decision in Kessler was enlarged in General Chemical Co. v. Standard Wholesale Phosphate & Acid Works, Inc., 4 Cir., 1939, 101 F.2d 178, to permit customers of the manufacturer to assert a defense of collateral estoppel based on a previous judgment in the manufacturer's favor. General Chemical recognized that a customer was not estopped to relitigate the issues decided in favor of the patentee against the manufacturer, but concluded that the patentee should be prevented from again raising the issue on the ground that he already had his day in Court. It is significant that General Chemical would, in the event the Tuohy Patent was declared invalid in this proceeding, prevent plaintiffs from again litigating this question with the licensees in Texas or Virginia, and this is true even though the licensees are not parties in the present litigation. Bechik Products v. Flexible Products, supra, is in full support of General Chemical. In Bechik the Court held that a decree on the merits holding invalid a patent such as plaintiff's claim in this case, would be binding on plaintiffs in subsequent actions

against persons such as the licensee defendants in Texas and Virginia. Plaintiffs call attention to the fact that the validity of the Tuohy Patent has been upheld in two cases, Pacific Contact Laboratories, Inc. v. Solex Laboratories, Inc., 9 Cir., 1953, 209 F.2d 529, and Solex Laboratories, Inc. v. Graham, D.C. S.D. Cal. 1958, 165 F. Supp. 428. In the light of these cases and under ordinary circumstances, I would be inclined to say there was little probability of the Court finding the Tuohy Patent invalid and declare that those decisions, while not conclusive, were entitled to great weight. Georgia-Pacific Corporation v. U. S. Plywood Corporation, 2 Cir., 1958, 258 F.2d 124, cert. den. 358 U.S. 884, 79 S. Ct. 124, 3 L. Ed. 2d 112; Cold Metal Process Co. v. Republic Steel Corporation, 6 Cir., 1956, 233 F.2d 828, cert. den. 352 U.S. 891, 77 S. Ct. 128, 1 L. Ed. 2d 86, reh. den. 352 U.S. 955, 77 S. Ct. 323, 1 L. Ed. 2d 245. However, in none of those cases did the owner of the patent adopt an entirely inconsistent position such as Plastic has here adopted. Solex Laboratories, Inc. v. Plastic Contact Lens Co., supra. I have arrived at no conclusion as to the weight, if any, to be given to the actions of Plastic, nor the weight to be given to the decisions upholding the Tuohy Patent, under the peculiar facts and circumstances of this case. However, I have concluded that in the exercise of a sound legal discretion, I should allow defendants' motion. I feel that this motion can be granted without substantial impairment of plaintiffs' rights under the patent law and that such an injunction would probably prevent needless litigation. American Chemical Paint Co. v. Thompson Chemical Corp., 9 Cir., 1957, 244 F.2d 64.

3. The third point raises essentially the same questions of law as raised by point No. 2. Further discussion is not required. Irreparable injury may result to defendants.

This opinion shall stand as my findings. An appropriate decree patterned after the suggestions in Solex Laboratories, Inc. v. Plastic Contact Lens Co., supra, may be prepared, served and presented by counsel for defendants. I fix the amount of defendants' bond at $15,000.00.

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In the

Supreme Court of the United States

OCTOBER TERM, 1966

GEORGE H. BUTTERFIELD, SR.,

Petitioner,

vs.

THE PLASTIC CONTACT LENS COMPANY,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit.

BRIEF FOR RESPONDENT IN OPPOSITION

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RECORD REFERENCES

The appendix to the Petition for Writ of Certiorari has its pages numbered 1a, 2a, 3a, etc.; and that appendix is cited thus in this brief.

To avoid confusion in page numbering, the appendix to this brief has its pages numbered 1b, 2b, 3b, etc., and it is cited herein accordingly.

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1966

No. 785

GEORGE H. BUTTERFIELD, SR.,

Petitioner,

vs.

THE PLASTIC CONTACT LENS COMPANY,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit.

BRIEF FOR RESPONDENT IN OPPOSITION

The petition for writ of certiorari presents no question warranting this Court's attention, and the complaints it urges are without substance. No question of interest to the public is involved; the case is but a routine one in which a plainly erroneous judgment was set right on appeal.

Opinion Below

The opinion herein of the United States Court of Appeals for the Ninth Circuit is reported at 366 F.2d 338, and is also set forth in the Appendix to the Petition, pages 17a-33a.

Jurisdiction

This Court has jurisdiction to consider the petition, by virtue of United States Code, Title 28, §1254(1).

Question Presented

In the petition it is said (page 3) that the case presents a question whether the rationale of *Automatic Radio Mfg. Co.* v. *Hazeltine Research, Inc.* (1950), 339 U.S. 827, should be *extended.* That is not so. No extension is involved; the rule of *Automatic Radio,* as originally announced by this Court, is clearly applicable to this case.

Statement Of The Case

Each of the parties to this action owns a patent, and it is important for an understanding of the case to know how the patents relate to one another.

Respondent, a contact-lens manufacturer, owns U.S. patent No. 2,510,438, known in this record as the "Tuohy patent". That patent was originally owned by a company called Solex Laboratories, Inc., and in the patent's early history it was successfully tested in several infringement actions, including one directed against respondent's lenses. The Tuohy patent was upheld by the Ninth Circuit in *Pacific Contact Labs., Inc.* v. *Solex Labs., Inc.* (9 Cir., 1953), 209 F.2d 529, and by the Southern District of California in *Solex Labs., Inc.* v. *Graham et al.* (S.D. Cal., 1958), 165 F. Supp. 428, being hailed in both those decisions as a pioneer in its field.*

---

* Tuohy's contribution lay in teaching that a contact lens should have a radius of curvature on its concave side slightly greater than the radius of curvature of the underlying cornea, thus providing in its peripheral regions "a small but gradually increasing clearance" between the lens and the eye tissue "for the entry of natural eye fluids between the lens and the cornea" (1b-4b, *infra*).

After losing the Solex infringement suit, respondent bought Solex Laboratories, Inc. and with it the Tuohy patent. At the time of this acquisition, there were already outstanding some fifty-odd patent licenses under the Tuohy patent, wherein the licensees had agreed to pay royalty at the rate of $3.50 per pair on lenses covered by the Tuohy patent and royalty at a lower scale on unfinished lenses coming under the patent or which contributorily infringed it (37a, 41a-42a, 46a).

The character of the contact-lens business made royalty accounting under such licenses inconvenient, since determining whether any particular pair of lenses embodied the Tuohy invention required reference not only to the fitter's prescription but, in the last analysis, to the fitter's measurements of the eyes to which the lenses were fitted. (This point is not in dispute; petitioner's own witness Conlogue, a lens manufacturer himself, admitted that there is no way of determining from the lenses themselves, without the underlying eye-measurement data, whether any given lens is within the scope of a particular patent. See 24b, *infra*.)

After acquiring the Tuohy patent, respondent offered, to both existing and prospective licensees, a new form of agreement granting the right to use the Tuohy invention in consideration, "solely for the purpose of accounting hereunder", of a flat royalty of $1.00 per pair on all contact lenses sold by the licensee, whether covered by the Tuohy patent or not. (This, of course, eliminated the problem, noted in the preceding paragraph, of determining which particular ones of a manufacturer's lenses were within the coverage of the patent.) All the old licensees voluntarily surrendered their existing licenses and accepted the new substitute form, and many additional manufac-

turers signed up under the new arrangement. By the time of trial, about 135 manufacturers held licenses under the Tuohy patent. (366 F. 2d, at 342, 25a; 46a; 62a; 9b, *infra*)

This brings us to the history of the Butterfield patent, No. 2,544,246, owned and exploited by petitioner. That patent is junior to Tuohy; during its prosecution, petitioner's initial broad claims of invention were rejected on the Tuohy patent as prior art, and ultimately the Butterfield patent issued with claims restricted to lenses having curvature conforming to the underlying corneal surface over their entire areas, peripheral as well as central. (5b-7b, *infra;* and see 366 F.2d, at 341; 21a)

The history of the Butterfield patent was also marked by litigation, Solex having sued petitioner's company George H. Butterfield & Son for infringement of the Tuohy patent and petitioner having counterclaimed for infringement of the Butterfield patent. After respondent bought Solex and the Tuohy patent, that litigation was settled by a consent judgment in which the validity of both patents was recognized and each patent owner was left free to solicit licenses from the licensees of the other. This consent judgment was entered in April, 1962. (366 F.2d, at 339-340; 18a-19a)

Thereafter, petitioner commenced a campaign to secure licensees for the Butterfield patent, in the course of which petitioner, and his agents and attorneys with his approval, represented to manufacturers that the Butterfield patent embraced contact lenses having two radii of differing curvature on their concave sides, regardless of whether the peripheral lens curvature conformed to the underlying corneal curvature. (13b-15b, 19b-20b, 22b, *infra*)

This campaign was quite successful; about fifty manufacturers were approached and twenty-odd licenses under the Butterfield patent were in force at the time of trial (366 F.2d, at 346, footnote 9; 33a). Recognizing that lens-by-lens accounting of royalties was an expensive and burdensome procedure, petitioner entered into numerous licenses in which the royalty was fixed at a flat sum per month, based on the licensee's total sales of contact lenses during the previous year or two years, regardless of their coverage by the patent and irrespective of whether they were finished or unfinished (10b, 17b-18b, 20b-21b, *infra*).

Petitioner's over-broad assertions to the trade as to what lenses the Butterfield patent covered were a source of alarm to some of respondent's Tuohy-patent licensees, and ultimately respondent eased this by offering its licensees an indemnity agreement. By that undertaking respondent agreed to defend any suit brought against one of its indemnified licensees for infringement of the Butterfield patent. (366 F.2d, at 344-345; 29a-30a)

Petitioner did not test the scope of his patent by an infringement suit against an indemnified Tuohy-patent licensee; instead, he initiated this action against respondent.

The complaint herein was in three counts, the first alleging unfair competition with petitioner, the second charging that the indemnity offer constituted actionable interference with contractual relationships between petitioner and his licensees, and the third alleging that respondent's patent licenses were in violation of the antitrust laws by virtue of their royalty clauses. (366 F.2d, at 340; 19a)

The District Court, in deciding for petitioner, held that the Tuohy patent was not a pioneer and that it was re-

stricted in scope to the precise type of lens illustrated in its drawing, having only one radius of curvature on its concave side. (In other words, the District Court did not even give the Tuohy patent claims their literal scope.) At the same time, the District Court held that the Butterfield patent was *not* restricted in scope to its claim language calling for conformity between lens curvature and eye curvature over the entire lens area. (38a-40a, 83a)

Having thus demoted the senior Tuohy patent to a status of minor commercial significance and elevated the junior Butterfield patent to a coverage not warranted either by its claim language or its Patent Office history, the District Court held respondent's indemnity offer and other defensive measures to be unfair competition and illegal trade restraint (366 F.2d, at 344-345; 27a-29a). The District Court also held that respondent's patent licenses wherein the royalties were proportional to the total size of the licensee's lens business were in violation of the antitrust laws and constituted illegal restraint of petitioner's business of soliciting licensees for the Butterfield patent (366 F.2d, at 342-343; 25a-26a).

By the District Court judgment, respondent was enjoined from collecting royalties or otherwise enforcing its outstanding licenses under the Tuohy patent, and was held liable to petitioner for treble damages and attorneys' fees, amount to be assessed later (14a-16a).

The Court of Appeals restored the two patents to their proper relative positions, recognizing the Tuohy patent to be the pioneer teaching of the peripheral-clearance feature and holding the Butterfield patent limited, in accordance with its claims, to lenses having two or more concentric curves conforming to eye curvature throughout the lens

area (366 F.2d, at 340-342; 20a-22a). With the District Court's basic error thus corrected, the Court of Appeals held that respondent's indemnity offer and other complained-of activities were legitimate defensive measures (366 F.2d, at 343-344; 29a-31a). The royalty clauses in respondent's license contracts, the Court of Appeals held, were legal and proper under the rule applied by this Court in *Automatic Radio Mfg. Co.* v. *Hazeltine Research, Inc.* (1950), 339 U.S. 827 (366 F.2d, at 342-343; 25a-26a). The Court of Appeals held that measuring royalties by the size of the licensee's lens business was warranted in the contact-lens industry to simplify accounting, noting that petitioner himself, for the very same reason, had granted numerous licenses in which the royalty yardstick was the size of the licensee's total business in contact lenses during the preceding year or two, regardless of patent coverage (366 F.2d, at 343; 26a; and see 10b, 17b, 20b-21b, *infra*).

Having concluded that the District Court judgment was founded on legal errors and erroneous conclusions, the Court of Appeals reversed it and directed dismissal of the action (366 F.2d, at 346; 33a).

Argument

I. Automatic Radio v. Hazeltine Is Squarely In Point; The Court Of Appeals Correctly Applied It In This Case.

Petitioner challenges the Court of Appeals judgment on the theory that *Automatic Radio* does not authorize "respondent's conduct of *exacting* royalties under its Tuohy patent on unpatented materials". As we shall now demonstrate, petitioner's point is deceptively phrased and lacking in merit:

A. Respondent Has Not "Exacted" Anything; Its License Agreements Were Voluntarily Entered Into By Respondent And Its Licensees As A Mutually Preferable, Optional Alternative To The Earlier Form Of License Having A Conventional Royalty Clause.

At the time respondent bought the Tuohy patent, there were already in force some fifty-odd licenses under it, all of which had a conventional royalty clause calling for payment of unit royalties ($3.50 per pair for finished lenses and a scale of lower rates for unfinished lenses), applicable only to lenses actually covered by the Tuohy patent (46a; and see 8b, *infra*). After respondent acquired the patent, it offered to the industry its new standard-form agreement having the royalty clause now challenged by petitioner (9b, *infra;* and see 366 F. 2d, at 342), calling for payment of royalties at a rate scaling downward from $1.00 per pair but applicable to all contact lenses sold by the licensee, regardless of patent coverage (46a; 9b, *infra*). Within a short time all of the old licensees who held licenses containing the conventional royalty clause had voluntarily exchanged them for li-

censes containing the new standard form (46a). In the same period, many other lens manufacturers took Tuohy licenses on the across-the-board royalty terms newly made available; by the date of trial, the total number of active Tuohy-patent licensees was about 135 (46a, 62a).

As the foregoing facts demonstrate, respondent has not "exacted" anything. There is no evidence or contention that any licensee, present or past, has ever been coerced into taking the present form of license as opposed to one with a conventional royalty clause. There is no evidence or contention that any licensee or would-be licensee has ever been *refused* a license having a conventional royalty clause. There is not even any contention that such a license has been *requested* by anyone since respondent's present standard form was made available.

By definition, one cannot be *refused* what he hasn't even *asked for*.

Baseless invective — nothing else — is petitioner's repeated statement that respondent "exacts" royalties on lenses not covered by the Tuohy patent. The truth is simply that all of respondent's licensees have found it preferable to contract for a convenient, easily calculable royalty measured by their total lens sales rather than to commit themselves to pay a larger unit royalty applicable only to their sales of patented lenses.

B. Petitioner Notwithstanding, Respondent's License Contracts Do Not Levy "Tribute" On Unpatented Materials; The Total Lens Sales Of Respondent's Licensees Are Simply Used As A Convenient And Reasonable Yardstick For Measuring The Value To Each Licensee Of The Rights Granted.

Plainly incorrect is petitioner's pretense that the respondent's royalty arrangements with its licensees amount to levying of tribute on unpatented materials. Respon-

dent's license agreements do no such thing, and, as we shall show in a later section, they impose no restraints or restrictions on anyone's commerce in unpatented materials. The total lens sales of the respective licensees are used, in respondent's licenses, simply as a royalty yardstick, providing a fair basis for measuring the value of the granted rights as between one licensee and another.

Obviously, a large manufacturer can reasonably be expected to benefit more from a license under a basic patent (as the Tuohy patent surely is) than a small manufacturer would. When, therefore, it is inconvenient to account for royalties on the conventional basis of so much per patented article, the arrangement provided in respondent's licenses is reasonable and in harmony with the rationale of *Automatic Radio,* providing as it does for royalty payments in proportion to the total lens businesses of the respective licensees.

This is no mere argumentative assertion; it is *proved* by the fact that *all* the fifty-odd licensees who originally had licenses with conventional royalty clauses switched over, of their own free will, to the new royalty basis (46a). It is *confirmed,* moreover, by the fact that petitioner himself, again and again, has issued licenses calling for royalties calculated on the total lens sales of the licensee, and for the very same reason—*accounting convenience* (10b, 17b-18b, 20b-21b, *infra).*

This last point, petitioner would now deny (Petition, page 11); but his own words and acts belie his denial. Witness this, as conclusive proof of that:

(a) Petitioner himself testified thus (20b, *infra*):

> "Q. Very good. Now, taking into account your explanation as to how you arrived at the monthly payments, it is a fact today, is it not, that the bulk of your licensees and substantially all of them that have

signed up within the period since the settlement of the lawsuit are paying royalties to you that are based on their total production of contact lenses as opposed to their production and sale of lenses that come under your patent?

"A. Less 25 per cent.

"Mr. Bullivant: Objected to. The license agreements are the best evidence, your Honor.

"The Court: Well, the witness may answer. What is your answer to the question?

"The Witness: I said Yes, but the rate is at a 25 per cent reduced rate over a unit license.

* * * *

"Q. The fact is that during your initial conversations with the people who signed these paid-up licenses, you explained to them that the reduction in rate from a dollar per pair to 75 cents or, if you like, from 50 cents per lens to 37½ was because the simplified arrangement saved you the expense of accounting?

"A. No.

"Q. Is it your testimony now that you told these people that the reduction in rate was because of your recognition that some of their lenses might not come under the patent?

"A. Well, I think it was rather a combination of simplifying their bookkeeping, simplifying my bookkeeping, simplifying the fact that I wouldn't have to send traveling auditors around, which costs money to audit their books."

Finished lenses and unfinished lenses (uncuts) were treated exactly alike in that calculation, as shown in this further testimony by petitioner (21b, *infra*):

"Q. Well, the point I make is that you have always charged the same royalty for uncuts as you did for finished, finished lenses; isn't that so?

"A. We have three different types of licenses.

"Q. And in all three of them there is no distinction made as far as royalty is concerned between uncuts and finished lenses; isn't that true?

"A. That's true."

(b) This is the way petitioner's lawyer, in a letter to the attorney for a prospective licensee, described petitioner's procedure for figuring the royalty to be paid (DX Q, 17b, *infra*):

"Of course, I do not know who the licensee is for whom you are inquiring, or how many lenses it has sold in the past, but I can tell you generally the basis upon which Dr. Butterfield arrives at the sum to be paid for a paid-up license and a release for past infringement:

"He estimates the number of lenses to be sold hereafter until the end of the term of the patent (about six years) by taking the average number of lenses which the licensee has sold in the past two years, and considers that it will probably sell an equal number of lenses per year during the remaining life of the patent. Then, instead of his regular per lens royalty of 50 cents, which he charges for a license on a per-lens basis, he makes the royalty 37½ cents per lens for the paid-up form of license because thereby he saves accounting expenses.

"In other words, to state an example, if during the past two years your client has sold an average of 4,000 lenses per year, he would figure that during the next six years they would sell 24,000 lenses, which, at 37½ cents per lens, would be $9,000.00, which would be the paid-up sum."

There is even more evidence proving that petitioner, for accounting convenience, calculated royalties in his own licenses on total lens sales rather than sales of patented articles (e.g., 10b, *infra*). But the above-quoted examples

will suffice to show that the Court of Appeals (366 F. 2d, at 343; 26a), and not petitioner (Petition, page 11), should be believed on that issue.

To sum up: Without substance is petitioner's claim that respondent levies "tribute" on "unpatented materials". The total lens sales of respondent's licensees are a mere yardstick for measuring the value to them of the rights granted. Under the circumstances disclosed by this record, that is both reasonable and legal.

C. The Automatic Radio Rule Applies A Fortiori To The Facts Of This Case.

In *Automatic Radio Mfg. Co.* v. *Hazeltine Research, Inc.* (1950), 339 U.S. 827, the license conferred rights under a large group of patents relating to radio equipment. The consideration for the rights granted was a royalty measured by a percentage of the licensee's total sales of radio receivers, regardless of whether, in specific instances, the receivers utilized the inventions of any of the licensed patents.

The legality of the agreement was challenged on the ground that it was a misuse of patents and illegal restraint of trade "to require the licensee to pay royalties based on its sales, even though none of the patents are used" (339 U.S., at 830). This Court rejected that contention and held the terms of the agreement legal, saying (339 U.S., at 833):

> "The Court of Appeals reasoned that since it would not be unlawful to agree to pay a fixed sum for the privilege to use patents, it was not unlawful to provide a variable consideration measured by a percentage of the licensee's sales for the same privilege. 176 F. 2d at 804. Numerous District Courts which have had occasion to pass on the question have reached the same result on similar grounds, and *we are of like opinion.*"

Continuing (339 U.S., at 834), this Court noted that circumstances might make a royalty measured by the size of a licensee's sales "the most convenient method of fixing the business value of the privileges granted by the licensing agreement", and pointed out that such a royalty provision involves "no inherent extension of the monopoly of the patent."

In so ruling, this Court was plainly right, and its reasoning applies *a fortiori* to the facts of this case. Here the respondent's licensees took on the across-the-board royalty arrangement as a *voluntarily substituted alternative* for a conventional royalty of so much per pair of patented lenses; and there is no suggestion in the record that any of them has even *asked*, at any time, to return to the old arrangement. It is preposterous for petitioner to suggest, under circumstances such as those, that respondent's royalty clauses are impositions or restraints on anyone.

Totally without merit are petitioner's lame efforts to distinguish *Automatic Radio* from the case at hand:

> *First* (Petition, pag. 15), petitioner makes the point that in *Automatic Radio* the license agreement conferred rights under hundreds of patents instead of only one, as here. That is no distinction. This Court's ruling in *Automatic Radio* was that an across-the-board royalty base may be used when for business reasons it is inconvenient to employ the conventional basis of so much royalty per patented device sold. Here, the record establishes that the conventional procedure is inconvenient for all concerned, as confirmed by petitioner himself.

Second (Petition, page 15), petitioner advances the pretension that in *Automatic Radio* there was no showing that the sales on which royalties were figured included items falling under patents held by others than Hazeltine. This is absurd. It is, of course, common knowledge that radio receivers in the 1940's were literally blanketed by patents, of many different companies. (For example, see *United States* v. *Radio Corporation of America, et al.* (D.C. Del., 1954), 117 F. Supp. 449.)

Third (Petition, pages 15-16), petitioner, invoking the discredited and clearly erroneous legal conclusions of the District Court, asserts that respondent's contracts should be struck down because of other acts of respondent, alleged by petitioner to be wrongful. One answer to that is that the Court of Appeals has corrected the District Court's errors and held what anyone reading this record with a clear eye can see—that petitioner has been the real aggressor all along and respondent's complained-of acts have been nothing more than defense measures. A second answer, equally to the point, is that the genesis of respondent's royalty contracts had *no connection whatever* with petitioner. The great bulk of the license agreements now complained of were in force before the consent judgment that marked the beginning of petitioner's licensing program (46a).

Finally (Petition, page 16), petitioner seeks to distinguish *Automatic Radio* by asserting that a suit between the parties to a license contract, as that one was, is not the same as a case like this where petitioner is collaterally attacking respondent's contracts. That, if ever there were one, is a distinction without a difference. If there were substance in petitioner's claim that respondent's royalty clauses are inhibiting its licensees from signing up with petitioner, surely petitioner could have found *one* such licensee willing to *ask* respondent to substitute a conventional royalty clause for the one now in force.

Beyond any doubt, the Court of Appeals was right in holding this case governed by *Automatic Radio.*

II. Petitioner's Invocation Of The Tie-In Cases Is Off The Mark; They Have Nothing To Do With This Case.

Following the lead of the unsuccessful petitioner in *Automatic Radio,* the present petitioner (Petition, pages 19-20) relies on the tie-in cases such as *B.B. Chemical Co.* v. *Ellis* (1942), 314 U.S. 495 and *Mercoid Corp.* v. *Mid-Continent Investment Co.* (1944), 320 U.S. 661, which rightly established the principle that a patentee may not by contract enlarge his monopoly by conditioning the grant of patent rights on the licensee's purchase, rental, or use of unpatented material derived from the patentee.

The law those cases stand for is good law indeed, but it has no relevance to this case:

(a) In *B.B. Chemical* (1942), 314 U.S. 495, the grant of the right to use a patented method was conditioned on the purchase of unpatented materials from the patentee.

(b) In *Mercoid* (1944), 320 U.S. 661, the right to use the combination protected by the Cross patent in suit was granted only to users who purchased stoker switches—unpatented elements of the combination—from the manufacturer the patentee licensed to supply them.

(c) In *Carbice* (1931), 283 U.S. 27, licenses were granted only to users who purchased unpatented dry ice from the patentee.

(d) In *Leitch Mfg. Co.* v. *Barber Co.* (1938), 302 U.S. 458, it was held that the owner of a patent on a method of curing concrete by the use of bituminous emulsion (*per se* unpatented) could not enjoin as a contributory infringer a competing manufacturer who knowingly sold the emulsion for use in practicing the patented method.

Obviously, every one of those tie-in cases involved a situation where license rights in a patented invention were used to procure for the patentee a monopoly position in an unpatented product. Nothing remotely like that exists here. Respondent's licensees are not obliged to buy anything from anybody, and they are free to sell anything they choose to anyone they choose, at any price they choose. The same thing, of course, was true in *Automatic Radio*, wherein the tie-in cases were also cited but rightly held irrelevant (339 U.S., at 832-833).

III. This Record Presents No Issue Under Rule 52(a).

Petitioner's third asserted reason for granting the writ (Petition, page 13) was the contention that the Court of Appeals, in reversing the judgment of the District Court, failed to honor Rule 52(a).

By failing to argue the point, petitioner has tacitly conceded that it lacks merit; and he is surely right. The District Court judgment in this case was grounded on gross errors of law, and the so-called "findings of fact" are literally full of legal conclusions. The evidentiary facts were not in serious dispute and were not disturbed by the Court of Appeals. In reversing the judgment, the Court of Appeals just corrected the District Court's errors of law and threw out its unsound legal conclusions.

Conclusion

The petition for the writ of certiorari should be denied.

Respectfully submitted,

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PLAINTIFF'S EXHIBIT No. 43

June 6, 1950 K. M. TUOHY 2,510,438

CONTACT LENS

Filed Feb. 28, 1948

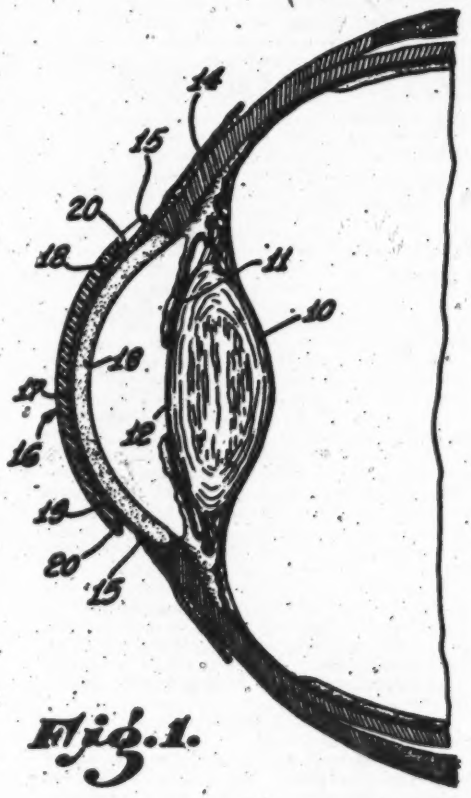

Fig. 1.

Fig. 2.

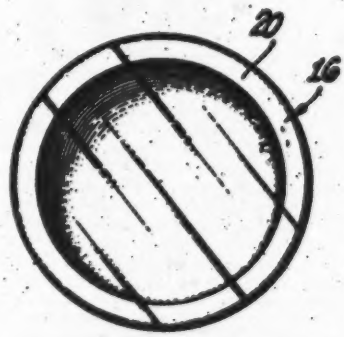

Fig. 3.

Fig. 4.

Fig. 5.

INVENTOR.
BY Kevin M. Tuohy
Hazard & Miller
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Patented June 6, 1950 2,510,438

UNITED STATES PATENT OFFICE

2,510,438

CONTACT LENS

Kevin M. Tuohy, Los Angeles, Calif., assignor to Selsr Laboratories, Inc., Los Angeles, Calif., a corporation of California

Application February 23, 1948, Serial No. 12,040

2 Claims. (Cl. 88—54)

1

This invention relates to a contact lens adapted to be applied to the human eye for the primary purpose of correcting deficient vision.

Heretofore contact lenses have been produced that have been made of either glass or synthetic resin plastics which have portions resting directly on the cornea of the eye with a supporting flange or border resting on the scleral portion of the eye or which have central portions arching over the cornea and which have flange or border portions designed to extend beyond the limbus of the eye. The optical correction has been ground on that portion of the contact lens disposed over the cornea and fluids compatible with the eye tissue have generally been interposed between the lens and the eye. Such contact lenses have had a number of objections which have, either collectively or individually, retarded their general use. Among these objections are (1) the time and skill required to properly fit the lenses to the eyes of the patient; (2) the lack of comfort which prevents such contact lenses from being worn continuously longer than only relatively short times; (3) the development of the appearance of rainbows or halos, particularly around bright light sources and the clouding of the vision after the lenses have been worn for a relatively short time; and (4) the necessity of determining and then using fluids with the contact lenses which are compatible with the eye tissues of the user.

I have ascertained that one important source of these objections is occasioned by the fact that the contact lenses heretofore devised universally engage the scleral portion of the eye so that the pressure of the flange or border portion of the contact lens on the scleral portion not only applies objectionable pressure to the nerves in the eye but retards the normal blood flow through the veins in the scleral position. The pressure on the nerves and the retarding of the normal blood flow is conducive to the development of irritation and is a principal reason for the appearance of the objectionable rainbows, halos and cloudiness. The contact lenses heretofore developed, even when removed for the purpose of resting the eye, do not bring about immediate relief on removal and, due to the fact that they cover such a wide expanse of the eye, they must be fitted with a relatively high degree of accuracy by one who is highly skilled in this type of work. With the use of contact lenses which extend beyond the limbus portion the eye is almost completely covered and with the fluid sealing off all possibility of air and natural eye fluids the eye soon becomes exhausted.

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An object of the present invention is to provide an improved contact lens which is characterized by the fact that when properly fitted to the eye of the person for which it was designed its maximum dimensions will be less than the dimensions across the limbus at the edges of the cornea. In the preferred arrangement, the contact lens embodying the present invention is smaller in size than the iris but larger than the maximum pupil opening. This is particularly true when the lens and the iris are considered along the horizontal meridian. When considered on the vertical meridian the lens may exceed the iris slightly but still should be within the limbus. In this manner as the lens normally does not engage the sclera, the sclera is exposed to air and natural eye fluids and is not subjected to the objections arising from pressures applied thereto.

A further important characteristic of the improved lens resides in the fact that although it is in the nature of a concavo-convex section of transparent material largely conforming in shape and size to the cornea of a given eye, the inside or concave surface actually is slightly flatter or may be regarded as having a slightly greater radius of curvature than the cornea. In this manner the lens may actually contact the cornea near the center of the lens while the portions of the lens adjacent its margin are slightly spaced therefrom. This space affords an opportunity for the natural eye fluids to enter and relieves pressure on the cornea. Although blinking of the eyelids may displace the lens from over the cornea temporarily so that its edges may extend across the limbus and even onto the sclera, the minimum contact between the lens and the cornea occasioned by this relation of curvatures is such as to reduce the irritation, if any is present, to a minimum.

With the foregoing and other objects in view, which will be made manifest in the following detailed description and specifically pointed out in the appended claims, reference is had to the accompanying drawings for an illustrative embodiment of the invention, wherein:

Figure 1 is a vertical section on an enlarged scale through the forward portion of a human eye illustrating a contact lens embodying the present invention in applied position thereon;

Figure 2 is a front view in elevation of the contact lens illustrated in Figure 1;

Figure 3 is a rear view in elevation of the same;

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Figure 4 is a front view in elevation of a slightly modified form of construction; and

Figure 5 is a vertical section taken substantially upon the line 5—5 upon Figure 4.

Referring to the accompanying drawings wherein similar reference characters designate similar parts throughout, in Fig. 1 the lens of the eye is indicated at 10 over which there is the iris 11 which defines the pupil 12. The cornea is generally indicated at 13 and the sclera generally indicated at 14. The limbus portion which defines the sclera from the cornea is indicated at 15.

The contact lens embodying the present invention consists of a concavo-convex section 16 of any suitable transparent or semi-transparent material. This material may be optical glass or, in conformity with conventional practice, it may be a synthetic resin plastic of the type now generally being employed in the manufacture of contact lenses. The material in the usual situation may be perfectly transparent but in some instances it may be slightly darkened or tinted either for glare-reducing purposes or to enhance or modify the natural color of the iris 11 in securing desired cosmetic effects.

This section will, of course, vary in size and shape to conform to the particular eye to which it is fitted but in embodying the present invention it possesses the following characteristics. The maximum dimension such as the diameter of the lens is less than the corresponding dimension of the iris so that the margins of the lens when in the normal applied position are within the iris 11. However, the lens is not so small that it will not completely cover the pupil 12 when the iris 11 is in its fully opened position. The lens may, therefore, be defined as to size as being within the limbus of the eye but beyond the maximum opening of the iris. Another characteristic of the lens is that it has a radius of curvature slightly greater than the radius of curvature of the cornea to which it is applied or, in other words, the lens is slightly flatter on its concave side than the convexity of the cornea. In this manner the major portion of the contact between the lens and the cornea will occur near the center of the cornea or in the neighborhood of the location indicated at 17, whereas at the top and bottom of the lens, as well as at the two sides there will be slight clearance spaces 18 and 19. I find its advisable to have a slight difference between the radius of curvature of the concave side of the lens and the convex surface of the cornea so as to reduce irritation. The clearance spaces 18 and 19, as well as the clearance spaces at the sides of the lens, enable the natural eye fluids to enter between the lens and the cornea which is, of course, desirable. The presence of this fluid in these clearance spaces probably contributes to the holding of the lens in place on the cornea such as by capillary action. The optical correction may be ground either on the interior or exterior surface of the lens 16 or both, and in some instances the optical correction ground on the interior surface of the lens is adequate to provide the clearance spaces 18 and 19. In other words, the lens blank may initially have an interial radius of curvature exactly conforming to the radius of curvature of the cornea but on grinding the optical correction on the interior of the lens its concave radius of curvature may be so altered thereby as to provide the clearance spaces which are of adequate size. These clearance spaces need not be great and, for example, if the radius of curvature of the cornea measures

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7.8 millimeters the radius of curvature of the concave side of the lens need only be 7.9 or possibly 8.0 millimeters.

I find it advantageous in the usual lens to bevel the concave surface adjacent the margins, as indicated at 20. When the lens is in applied position on the eye the eyelid, in blinking or closing thereover, will tend to disturb the position of the lens on the cornea. Usually most of this disturbance is created by the upper eyelid which, on opening, may tend to lift the lens from the full line position shown in Fig. 1 to a dotted line position therein and, as illustrated in the dotted line position the lens may be temporarily shifted upwardly so that it has crossed over the limbus portion 15 and may even extend partially onto the sclera 14. This displacement of the lens is usually only temporary and subsequent blinking or closing of the eyelid will tend to restore the lens to its centralized position with relation to the cornea. As the limbus portion 15 usually protrudes slightly the internal bevel 20 facilitates the slipping of the lens thereover so that when displacement of the lens does take place it may occur without causing irritation. When the lens is returned to the cornea in the course of subsequent blinking, it tends to centralize itself thereon.

Any necessary correction may be ground on the surfaces of the lens and in some instances the correction required is such that the lens must be either relatively thick or have relatively thick margins. Where the lens is thick or has thick margins the external or convex surface may be beveled as indicated at 21 to facilitate the passing of the conjunctiva of the eyelids thereover. Both bevels 20 and 21 should be relatively small and should be confined to the distance between the maximum opening of the iris and the limbus portion 15 so that the user under no circumstances will look through a beveled portion of the lens.

In Fig. 4 a slightly modified form of construction is illustrated wherein the lens, instead of being circular in form, is slightly ovate or elliptical. The lens may be given any shape required to properly fit the size and shape of the cornea to which it is applied.

It will be noted from the above described construction that the improved contact lens is relatively simple. A feature of its construction resides in the fact that in its normal position shown in Fig. 1 no portion of the lens contacts the sclera and consequently the irritation generally produced when contact lenses are pressing against the sclera is entirely avoided. Furthermore, the prescribing of lenses of this character is greatly simplified. Whereas heretofore it has generally been necessary to form a mold of the eye to determine the size and shape of the cornea and the size and shape of the surrounding sclera, in the present construction the size and shape of the sclera becomes relatively immaterial. The prescription for the required correction can be determined in the usual manner and the corneal portion of the eye can then be measured both horizontally and vertically by any conventional measuring instrument used for this purpose. With the measurements of the cornea known both as to height, width and radius of curvature and the required correction known, a lens manufacturer can easily fill a prescription for contact lenses with reasonable assurance that the lens will fit the patient properly. In so doing his skill and judgment may be required in determining whether or not a lens blank having a larger in-

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ternal radius of curvature than that of the cornea shall be used or whether the lens may have the same internal radius of curvature and the correction ground on the inside of the lens be relied upon to form these clearances. In the use of the improved lens it is unnecessary to try repeatedly and reject various solutions or fluids before wearing time can be gained inasmuch as no solution need be used at all with the present lens. However, in applying the lens embodying the present invention it is frequently advisable to moisten its surfaces so that at the time of initial application there will not be any discomforture particularly of the eyelids. No special fluid or solution is required for this purpose and ordinary water not harmful to the eye may be employed to moisten the lens. When the lens is worn its presence can rarely be detected. Even the bevels at the margins of the lens can rarely be detected due to the fact that they are within the iris portion, the edges of the lens particularly at the sides of the iris being backgrounded by the colored iris and to a large extent undiscernible and although the lens at the top and bottom of the iris projects or slides beyond the iris these portions are normally concealed by the upper and lower eyelids.

I find that lenses of this character can be worn over prolonged periods of time—periods of twelve and thirteen hours of continuous use being not unusual—without causing objectionable irritation and without causing cloudiness or rainbow and halo effects which are frequently produced with the usual contact lens in very much shorter periods of time.

I find it advisable to mark the lenses so as to be able to distinguish the lens for the right eye from the lens for the left eye and to indicate which side of the lens should be positioned uppermost and lowermost as the case may be. Such markings may be very small and when applied should be applied very close to the margin of the lens and if the lens is beveled they should be applied to a bevel.

Various changes may be made in the details of construction without departing from the spirit and scope of the invention as defined by the appended claims.

I claim:

1. A contact lens applicable to the human eye comprising a concavo-convex lens formed of light-transmitting material having a marginal size smaller than the limbus portion of the eye to which it is applicable but larger than the maximum iris opening, said lens having a radius of curvature on its concave side slightly greater than the radius of curvature of the cornea to which it is applied so that radially from the center of the lens there will be a small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea, said lens being ground to correct for visual deficiency.

2. A contact lens applicable to the human eye comprising a concavo-convex lens formed of light-transmitting material having a marginal size smaller than the limbus portion of the eye to which it is applicable but larger than the maximum iris opening, said lens having a radius of curvature on its concave side slightly greater than the radius of curvature of the cornea to which it is applied so that radially from the center of the lens there will be a small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea, said lens being ground to correct for visual deficiency and having a bevel at its marginal edges on the concave side thereof.

KEVIN M. TUOHY.

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PLAINTIFF'S EXHIBIT No. 45

March 6, 1951 G. H. BUTTERFIELD 2,544,246

CORNEAL CONTACT LENS

Filed Aug. 1, 1950

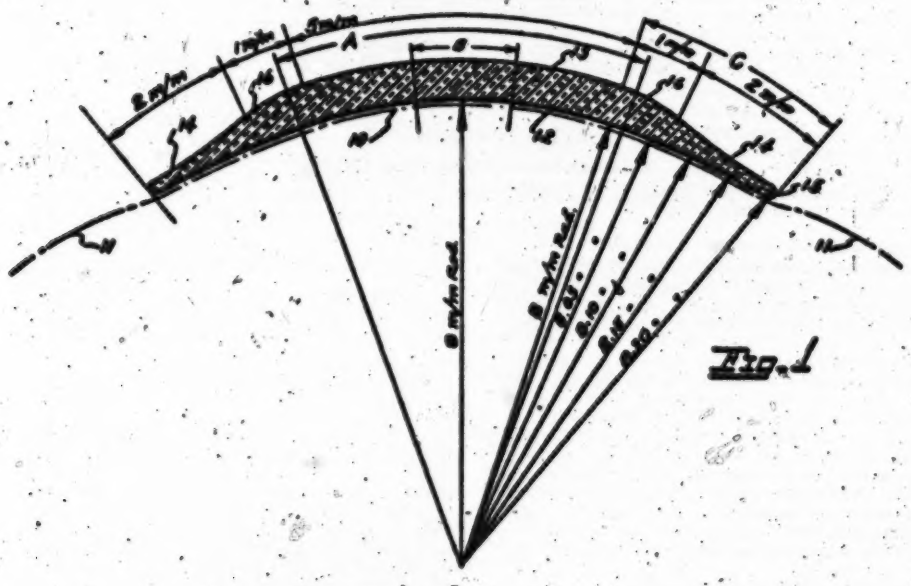

Fig. 1

Fig. 2

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INVENTOR.

BY

James A. Edwards
ATT'Y

Patented Mar. 6, 1951 2,544,246

UNITED STATES PATENT OFFICE

2,544,246

CORNEAL CONTACT LENS

George H. Butterfield, Portland, Oreg.

Application August 1, 1950, Serial No. 177,859

3 Claims. (Cl. 88—54.5)

1

This invention is a continuation in part of my application S. N. 107,948 filed August 1, 1949 and relates to contact lenses and more particularly to a contact lens that covers the corneal region of the eye.

The conventional contact lens, that is, the contact lens which has a scleral flange molded to fit the eyeball has many limitations. Not the least among these is the fact that the wearing time is quite short; a few hours' wear causes a corneal misting or halation brought about presumably by the pressure of the lens cutting off blood circulation in the limbal region and the prevention of free flow of lacrimal fluid. Other factors preventing this lens from coming into wide use are the need for a special accessory fluid between the lens and the eye. In addition, the difficulties of fitting them to the individual eyeball are apparent and well-recognized. For that reason, a practical corneal lens has been much sought after. In theory, the corneal lens is the ideal method of correcting visual deficiencies, since it does not touch the limbal region, needs no accessory fluid, and has other beneficial optical properties known to workers in the art.

The applicant, in his invention, has provided a corneal lens which can be worn continuously throughout the full waking day by the average person without experiencing corneal blurring or discomfort of any kind.

Furthermore, the lens of the applicant overcomes a common deficiency of corneal lenses, that is, their tendency to fall away from the eyeball due to insufficient surface tension or capillary attraction or due to the eyelid lifting the lens away from the cornea.

In addition, the applicant has provided a contact lens which needs no accessory fluid, which does not give the eye a bulging appearance, which is perfect from the viewpoint of cosmetology and ophthalmology, which is self-cleaning, which is easy to fit, which is free of marginal aberrations, which can be used by persons with pathological conditions of the cornea, and which may be easily and inexpensively manufactured.

With the above objects in view, as well as others which will appear as the specification proceeds, the invention comprises the construction, arrangement, and combination of parts as now to be more fully described and as hereinafter to be specifically claimed, it being understood that the disclosure is merely illustrative and intended in no way in a limiting sense, changes in details of construction and arrangement of parts being permissible so long as within the spirit of the

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invention and the scope of the claims which follow.

In the accompanying drawings:

Figure 1 shows a greatly enlarged sectional view of the lens of the present invention taken through the center thereof.

Figure 2 shows a greatly enlarged view of the anterior, convex face of the lens of the instant invention.

Referring to Figure 1, the lens which may be made of methyl methacrylate or similar substances is shown in conjunction with a human eyeball, shown in broken lines. The reference character 10 designates the surface of the cornea while the limbal region is designated 11. Generally speaking, the lens of the applicant is of concavo-convex type and consists of a posterior, concave side 12 and an anterior, convex side 13. The concave side 12 is of a perfectly spherical shape over the central area of the lens indicated by the dimension 5 mm. It is to be noted that, the lens shown in the drawing is provided with dimensions; these dimensions are given to show the relative proportionalities between the parts of the lens. The particular lens shown is illustrative of a lens particularly made for a person having a cornea whose radius of curvature in the central portion is 8 mm. The diameter of the central area designated by the dimension 5 mm. is slightly smaller than the maximum diameter of the pupil, the latter diameter being indicated by the dimensional character A. The convex side 13 of the lens is formed in the central portion with the curvature needed to supply the needed visual correction to the eye; the area that is thus formed is also slightly less in diameter than the maximum diameter of the pupil. The area subtended by the pupil in its minimum contracted condition is indicated by the character B. The curvature of the concave side 12 of the lens changes as the point on the surface is further from the center of the lens; at the edge of the area indicated by the 5 mm. dimension the radius of curvature becomes progressively greater until it reaches a maximum at the outer edge 15 of the lens. In the preferred embodiment shown in the drawing, the radius of curvature increases by 2½% from the central spherical area to the edge 15. The outside diameter of the lens must, of course, be such that the lens may lie on the surface of the cornea 10 within the area defined by the limbus 11. Actually, the concave side 12 of the lens approximates the surface of a paraboloid for a reason to be discussed later.

The anterior or convex side 13 of the lens is

formed with a rim portion 14 adjacent to the edge 15. This rim portion is relatively thin and its surface is generally parallel to the surface of the concave side throughout its extent. The rim portion 14 can be said to extend approximately 2 mm. inwardly of the edge 15 and it is indicated by the dimension 2 mm. Between the central vision-correcting portion of the convex side of the lens and the rim portion 15 is a transition area indicated by the dimension 1 mm. This transition area has a smoothly curved surface leading from the thick central part of the lens to the thin outer part and should be such as to present no abrupt changes in contour that may be engaged by the conjunctiva of the eyelid causing displacement of the lenses. The outer edge 15 of the lens is formed as a smoothly rounded surface.

The operation of the lens is based on the fact that the average human cornea is not exactly spherical, but actually is more like a paraboloid, with the central, visual portion being a sphere to all intents and purposes, but with the radius of curvature becoming greater as one leaves the visual area and progresses outwardly toward the limbus.

Yet, in the past, all corneal lenses have been made on the theory that the cornea was spherical throughout and the concave side of the lens has been made spherical also. It can be seen that if a spherically surfaced lens is used on a paraboloidal cornea, the lens will necessarily contact the cornea at the conus and at the edge. Now, the sphere and the paraboloid are quite similar at the conus and no undue pressure takes place; at the edge, however, the pressure is great enough to cause discomfort and blurring. If the spherical surface of the lens in such a case is chosen large enough to prevent this localized pressure, the lens will be too loose and will easily separate from the cornea because of insufficient capillary attraction and because there will necessarily be a large space between the cornea and the edge of the lens and the eyelid will slip under the lens and lift it.

Now, the theory behind all corneal contact lenses is that the lens be so formed that it can ride on a film of lacrimal fluid which exists between cornea and contact lens; if the lens does not float on such a film or causes a local pressure, there will be discomfort, halation, and the like and if the space between lens and cornea is too great, the capillary attraction will not exist and the lens may fall away from the eye. The applicant, by providing a lens whose contact surface is very close to the shape of the eyeball, has brought about the ideal corneal contact lens condition.

Since none of the lens outside of the area of the maximum extension of the pupil, designated A in the drawing, is to be used for overcoming the sight deficiency and is only present to present the maximum contact area between lens and cornea for maximum capillary attraction, it is possible for the applicant to use the non-visual area in a way to best overcome the past deficiencies of corneal contact lenses. The particular shape provided allows the eyelid to slide smoothly over the edge of the lens. The result is that there is no pain or sensation in the eyelid, and there is no opportunity for the eyelid to pry the lens away from the cornea.

I claim:

1. A corneal contact lens of concavo-convex form in section and of a size to lie within the area defined by the limbus having an inner central spherical area conforming to the corresponding area of the cornea to which the lens is applied so that undue pressure will not be present at any point, the remainder of said inner surface extending radially outward toward the limbus being formed on a curve different from that of said central area and corresponding in curvature with that portion of the corneal peripheral area to which the lens is applied, whereby space is provided for the natural uninterrupted circulation of lacrimal fluids between said lens and the cornea.

2. A corneal contact lens as in claim 1 wherein the anterior marginal area is gradually reduced in thickness toward the periphery of the lens by an arcuate facing in reverse curvature to the convex surface of the lens, both the junction of said arcuate facing with the remaining central convex portion and the lens edge having a smooth transition whereby the eyelids may pass freely over said edge.

3. A corneal contact lens as in claim 1 wherein the anterior marginal area is gradually reduced in thickness toward the periphery of the lens by a concave facing in reverse curvature to the convex surface of the lens, both the junction of said concave facing with the remaining central convex portion and the lens edge having a smooth transition whereby the eyelids may pass freely over said edge.

GEORGE H. BUTTERFIELD.

REFERENCES CITED

The following references are of record in the file of this patent:

UNITED STATES PATENTS

Number	Name	Date
2,516,439	Tuohy	June 6, 1950

FOREIGN PATENTS

Number	Country	Date
805,582	France	Aug. 31, 1936

OTHER REFERENCES

"The New Hamblin-Dallos Contact Lens" (publication), page 143 of "The Optician," April 1, 1938.

"Contact Lens Note" (publication), page 86 of "The Optician," March 4, 1947.

"Changes in the Form of the Contact Lens Optic" by Jones, published in "The Optician," December 31, 1948, pages 617 and 618.

"The Question of Contact Lens Design," publication appearing in "The Optician," Feb. 4, 1949, pages 97 to 98.

"The Corneal Lens" by Dickenson, from the publication "The Optician," September 2, 1949, pages 141 to 144.

"Corneal Contact Lenses" by Eier, published in "The Optician," September 9, 1949, page 185.

PLAINTIFF'S EXHIBIT NO. 46 (Excerpt)

(Royalty clause in the early Tuohy-patent license agreements, in force before respondent's present standard license form was introduced)

• • • •

2.

CENTRAL agrees to pay to SOLEX a royalty of Three Dollars and Fifty Cents ($3.50) per pair, or One Dollar and Seventy Five Cents ($1.75) per single lens on all finished lenses manufactured and sold by CENTRAL and covered by Tuohy Patent No. 2,510,438 or which would contributorily infringe said patent; and a royalty on all unfinished lenses manufactured and sold by CENTRAL under said Tuohy patent, or which would contributorily infringe said patent in accordance with the following schedule:

$2.00 on the first	50,000 pair	or $1.00	per lens
$1.00 on the next	50,000 pair	or $ .50	per lens
$ .75 on the next	100,000 pair	or $ .375	per lens
$ .50 on the next	100,000 pair	or $ .25	per lens
$ .25 on all additional pair		or $ .125	per lens

CENTRAL shall not pay royalties to SOLEX on lenses purchased from SOLEX or from a direct licensee of SOLEX, but such lenses shall not be counted in the total number of lenses sold by CENTRAL under the schedule hereinabove.

PLAINTIFF'S EXHIBIT NO. 46 (Excerpt)

(Royalty clause in respondent's present standard form of Tuohy-patent license)

• • • •

2.

(a) LICENSEE, solely for the purpose of accounting hereunder, agrees to pay to LICENSOR royalties upon all devices consisting of pieces of finished material in which two lens surfaces are applied thereto and which are adapted to be or are made into a finished or unfinished corneal lens calculated in accordance with the following schedule on all such devices sold by LICENSEE:

$1.00 on each pair of the first 150,000 pairs of devices or $ .50 per device.

$. 75 on each pair of the next 100,000 pairs of devices or $ .375 per device.

$ .50 on each pair of the next 100,000 pairs of devices or $ .25 per device.

$ .25 on each pair of all additional pairs of devices or $ .125 per device.

LICENSEE shall not pay royalties to LICENSOR on finished or unfinished lenses (.ie. lenses upon which two lens surfaces are already formed) when purchased from LICENSOR or from a Licensee of LICENSOR and such lenses shall not be counted in the total number of devices sold by LICENSEE under the schedule hereinabove.

PLAINTIFF'S EXHIBIT NO. 84F (Excerpt)

(Excerpt from petitioner's agreement with Dippery and Case appointing them exclusive licensees under the Butterfield patent in certain states, with the right and obligation to solicit and grant sub-licenses)

* * * *

IIIA.

LICENSEE agrees that it will only grant sublicenses which conform to Exhibit A (unitary license form) or Exhibit B (paid up license form) attached hereto and will only grant releases for past infringement in the form of Exhibit C, attached hereto. LICENSEE agrees that if the paid up license (Exhibit B) is granted any sublicensee, it will compute the amount of royalty as follows:

Add the total sales of proposed licensee, reasonably verified from business records exhibited, of manufactured contact lenses, in the year immediately preceding the intended commencement date of the license agreement. Divide this total of single lenses by 12 to arrive at an average monthly figure of sales of single lenses. This figure as to average monthly sales of single lenses shall then be multiplied by 50 cents per lens. The result so obtained is the monthly payments measured by the then unexpired portion of the life of the Canadian patent, disregarding fractions of less than one-half month. The Canadian patent expires November 11, 1969. In the case of manufacturers doing business more than six (6) months and less than twelve (12) months, the total production record shall be used and the result divided by the nearest total number of months in business, which result, multiplied by 50 cents per single lens, shall become the monthly rate.

PLAINTIFF'S EXHIBIT No. 143G

August 7, 1962

CERTIFIED MAIL

Acrylic Optics Corporation
1926 First National Building
Detroit, Michigan

Gentlemen:

From a copy of your prospectus which has come to the attention of our client, Dr. George H. Butterfield of Portland, Oregon, it appears that your newly formed corporation contemplates the manufacture and sale of corneal contact lenses which, from the description of the lens contained in the prospectus, appears to be a bi-curved or multi-curved lens which will infringe our client's United States Letters Patent No. 2,809,556, and our client feels it proper to place you upon notice that he intends diligently to enforce his patent rights and to demand that you refrain from infringing his patent.

Our client is granting and has for several years granted license rights under his patent either upon a paid-up basis or a per lens royalty basis.

It is noted from your prospectus that your corporation holds or will hold a license from the Plastic Contact Lens Company. That company also has held a license under our client's patent for several years. Also, it should be mentioned that, in settlement of patent litigation in the United States District Court for the District of Oregon between Solex Laboratories, Inc. and the Plastic Contact Lens Company, on the one hand, and Dr. George H. Butterfield, et al. on the other hand, a consent judgment was entered holding that Solex Laboratories, Inc. had infringed our client's said patent, as will all appear from the copy of the Consent Judgment and the Stipulation as

to Facts and Matters upon which it was based, enclosed herewith.

You should bear in mind that although you may hold a license under any other patent or patents, the license does not convey to you any right or make or sell the lens of our client's patent.

Will you be good enough to advise us promptly of your intentions in this matter?

Very truly yours,
of MASON & GRAHAM

CM b
Encs.
bc: Dr. George H. Butterfield
Mr. Rupert R. Bullivant

• • •

PLAINTIFF'S EXHIBIT No. 143F

(Letterhead of)
FENTON, NEDERLANDER, TRACY & DODGE

August 15, 1962

Collins Mason, Esq.
Mason & Graham
811 West Seventh Street
Los Angeles 17, California

Re: Acrylic Optics Corporation—Butterfield

Dear Mr. Mason:

We are general counsel for the Acrylic Optics Corporation. Dr. Golden forwarded your letter of August 7, 1962 to our office and we are happy that you called this matter to our attention.

Inasmuch as we are interested in obtaining all information with regard to your client's patent, I would appreciate if you would send me any and all information as to how and in what manner our client has infringed upon your client's patent. Naturally, it is not his intention to do so. If, after examination of all the facts, it is determined by our office that there is an infringement, it would immediately attempt to resolve this problem.
Thank you for your cooporation.

Sincerely,
/s/ R. Nederlander
Robert E. Nederlander

REN:sm

(Mail Receipt Stamp)
Received
Aug 16 1962
Mason & Graham

• • •

PLAINTIFF'S EXHIBIT No. 143E

August 27, 1962

Mr. Robert E. Nederlander
Fenton, Nederlander, Tracy & Dodge
2555 Guardian Building
Detroit 26, Michigan

Re: *Butterfield Patent*

Dear Mr. Nederlander

Replying to your letter of August 15, 1962. From his long experience in the corneal contact lens business, undoubtedly Dr. Golden is familiar with the Butterfield patent. However, we enclose a copy of his patent for your study.

Generally speaking, we believe you will find that the Butterfield patent covers a bi-curved or multi-curved lens made to be fitted substantially "on K".

Very truly yours,
of MASON & GRAHAM

CM B
Enc.
bc: Dr. George H. Butterfield, Sr.
Mr. Rupert R. Bullivant

• • •

PLAINTIFF'S EXHIBIT No. 143D

(Letterhead of)
FENTON, NEDERLANDER, TRACY & DODGE

August 30, 1962

Mr. Collins Mason
Mason & Graham
811 West Seventh Street
Los Angeles 17, California

Re: Butterfield Patent

Dear Mr. Mason:

Thank you for your letter of August 27, 1962 wherein you enclosed a copy of the Butterfield patent.
As you will recall, in my letter of August 15, 1962 I asked you to inform me as to how and in what manner our client has infringed upon your client's patent, namely, what is the specific basis for your claim that Dr. Golden has infringed upon the Butterfield patent? Is it your contention that the use of a bi-curved or multi-curved lens automatically infringes upon the Butterfield patent?

Naturally, we will be analyzing your client's patent but in addition I would appreciate if you would answer the

above questions so that we can specifically pinpoint the areas in which your client claims we are infringing. Thank you for your cooperation.

Sincerely,
FENTON, NEDERLANDER, TRACY & DODGE
By /s/ R. Nederlander
Robert E. Nederlander

REN:sm
CC: Dr. Donald L. Golden

• • •

PLAINTIFF'S EXHIBIT No. 143C

September 4, 1962

Mr. Robert E. Nederlander
Fenton, Nederlander, Tracy & Dodge
2555 Guardian Building
Detroit 26, Michigan

Re: *Butterfield Patent*

Dear Mr. Nederlander:

Replying to your letter of August 30th.

You apparently misunderstood our letter of August 7th because we did not say that your client had infringed the Butterfield patent. In fact, we did not have sufficient information to form an opinion as to whether an infringement had actually occurred or was contemplated.

Our only information was that obtained from the prospectus of the Acrylic Optics Corporation, which indicated that its lens was to have a concave surface defined by more than one curve, and we believed it only fair to advise the new company in the beginning, so that it could

avoid infringement. We assumed, of course, that the new company would obtain and be guided by an opinion from its own counsel with respect to the Butterfield patent. We merely mention that the owner of the Tuohy patent is a licensee under the Butterfield patent, and that it had stipulated for judgment in the Portland action holding that its predecessor in interest, Solex, had infringed the patent, because we felt that its counsel would want to consider such information in arriving at their conclusion in the matter.

We would prefer not to express our own views as to the scope of the Butterfield patent because, as you of course know, in the final analysis that is something which only the courts can determine.

Sincerely yours,
of MASON & GRAHAM

CM B
bc: Dr. George H. Butterfield, Sr.
Mr. Rupert R. Bullivant

DEFENDANT'S EXHIBIT Q

October 2, 1962

Mr. Elliott I. Pollock
Moore, Hall and Pollock
1200 Eighteenth Street, N.W.
Washington 6, D.C.

Re: *Contact Lenses*

Dear Mr. Pollock:

I have your letter of September 28th, and enclose two copies of Dr. Butterfield's paid-up license form, which I think more or less answers all your questions.

Of course, I do not know who the licensee is for whom you are inquiring, or how many lenses it has sold in the past, but I can tell you generally the basis upon which Dr. Butterfield arrives at the sum to be paid for a paid-up license and a release for past infringement:

He estimates the number of lenses to be sold hereafter until the end of the term of the patent (about six years) by taking the average number of lenses which the licensee has sold in the past two years, and considers that it will probably sell an equal number of lenses per year during the remaining life of the patent. Then, instead of his regular per lens royalty of 50 cents, which he charges for a license on a per-lens basis, he makes the royalty 37½ cents per lens for the paid-up form of license because thereby he saves accounting expenses.

In other words, to state an example, if during the past two years your client has sold an average of 4,000 lenses per year, he would figure that during the next six years they would sell 24,000 lenses, which, at 37½ cents per lens, would be $9,000.00, which would be the paid-up sum.

The example which I have given may be out of line because the average corneal lens manufacturer probably sells far more than 4,000 lenses per year.

Of course, your client does not have to pay all this amount at one time but, if it so desires, it can be paid so much down and so much per month until the total sum is paid. In fact, the license contemplates this.

Very truly yours,
of MASON & GRAHAM

CM B
Encs.
bc: Dr. George H. Butterfield, Sr.
Mr. Rupert R. Bullivant
(with copy of letter from Pollock
dated September 28, 1962)

EXCERPTS FROM TRIAL TRANSCRIPT

(Part of the testimony on cross examination of plaintiff George H. Butterfield, Sr., Tr. 407-408, 416-417, 420-422, 437-438)

BY MR. McDOUGALL:

* * * *

Now, you have, have you not, Doctor, on various occasions, orally and in writing, indicated the scope of your patent to be all contact lenses in which a central zone is formed with a spherical curve to conform to the apex of the cornea and then on which the marginal portion of it is provided with a different curve than the central curve?

A. I think that is what the patent says.

Q. On these occasions you have just said nothing about the further requirement in the patent that the peripheral or marginal curve conform to the cornea?

A. Well, I don't recall any letters that I sent out of that nature.

* * * *

Q. Were you asked any questions about the Tuohy patent?

A. I would not discuss the patents at all.

Q. Either one?

A. I discussed my own.

Q. Did you describe the area of your claim?

A. I gave them my opinion as to what my patent covered.

Q. And what is your opinion, Doctor?

A. Well, my opinion is that—I started to describe my lens this morning—a lens that has a central optical area which conforms to the curvature of the cornea and has

a secondary curvature surrounding it which is different than the one in the middle.

* * * *

Q. Very good. Now, taking into account your explanation as to how you arrived at the monthly payments, it is a fact today, is it not, that the bulk of your licensees and substantially all of them that have signed up within the period since the settlement of the lawsuit are paying royalties to you that are based on their total production of contact lenses as opposed to their production and sale of lenses that come under your patent?

A. Less 25 per cent.

Mr. Bullivant: Objected to. The license agreements are the best evidence, your Honor.

The Court: Well, the witness may answer. What is your answer to the question?

The Witness: I said Yes, but the rate is at a 25 per cent reduced rate over a unit license.

* * * *

Q. The fact is that during your initial conversations with the people who signed these paid-up licenses, you explained to them that the reduction in rate from a dollar per pair to 75 cents or, if you like, from 50 cents per lens to 37½ was because the simplified arrangement saved you the expense of accounting?

A. No.

Q. Is it your testimony now that you told these people that the reduction in rate was because of your recognition that some of their lenses might not come under the patent?

A. Well, I think it was rather a combination of simplifying their bookkeeping, simplifying my bookkeeping, simplifying the fact that I wouldn't have to send traveling auditors around, which costs money to audit their books.

This way I knew if a man agreed to pay me a hundred dollars a month, I was going to get a hundred dollars a month and he wasn't going to chisel on me, where under unit licenses, they might report a hundred lenses and make two hundred.

• • • •

Q. What is the fact, Dr. Butterfield, with respect to the royalty that you have charged on uncuit or semi-finished lenses in your license relations with manufacturers? Have you ever charged a different or a lower royalty for uncut or semi-finished lenses than you charged for finished lenses?

Mr. Bullivant: If the Court please, I am going to make the point that the contracts which are in evidence are the best evidence.

The Court: Overruled.

The Witness: Have I ever charged less, you say, for uncuts?

Q. Well, the point I make is that you have always charged the same royalty for uncuts as you did for finished, finished lenses; isn't that so?

A. We have three different types of licenses.

Q. And in all three of them there is no distinction made as far as royalty is concerned between uncuts and finished lenses; isn't that true?

A. That's true.

(Excerpts from the testimony of plaintiff's witness James C. Dippery, Tr. 205-206, 235)

BY MR. BULLIVANT:

. . . . .

Q. Now, before you actually started operating under the contract, did you have any further conversations with Dr. Butterfield dealing with the subject of what you should and should not say?

A. I did.

Q. In your activities?

A. I did.

Q. When did those conversations occur?

A. They occurred in our meeting at Dallas and several times by phone.

Q. Were those occasions before and after the execution of this contract?

A. Mostly before.

Q. Now, what was discussed on that subject between you and Dr. Butterfield?

A. That anyone using a second curve or a bi-curve other than the base curve of the lens was infringing on the Butterfield patent. . . .

. . . . .

By MR. MC DOUGALL:

Q. If you found a secondary curve on the lens, this was enough to convince you that the man who made the lens was infringing the Butterfield patent?

A. Yes, sir.

(Excerpts from the testimony of plaintiff's witness Jerome B. Conlogue, Tr. 306-308, 324-326)

* * * *

Direct Examination by Mr. Bullivant.

Q. You are Dr. Jerome B. Conlogue?

A. I am.

Q. Will you please state your business or profession?

A. I am an optometrist. I also am a manufacturer—owner of a manufacturing laboratory of contact lenses. I have been in the practice of optometry since 1933, and in the contact lens field since 1938, except for four years of Navy duty. . . .

* * * *

Q. What type of clientele is served by the manufacturing business?

A. Well, the fitters in the field. The general classification would be optometrists, ophthalmologists and dispensing opticians.

Q. In your own professional practice have you carried that on recently on an active basis in the fitting of lenses to the eyes of patients?

A. Am I personally fitting?

Q. Yes.

A. Yes.

* * * *

Q. In your manufacturing business, Doctor, will you state whether or not the orders that are filled there are orders on prescriptions from fitters or orders for sale to others?

A. They are orders on prescriptions from fitters.

Q. What portion of the volume of your manufacturing is on a prescription basis?

A. I would say 100 per cent.

Q. I see. Can you give us any idea how many lenses, corneal lenses, you fit in your practice as an optometrist?

A. Well, I started keeping track about two and a half years ago, and I think my combined number was around twenty-one or twenty-two hundred. That is starting back about '57. I would say in the last few years I have averaged around between 200 and 250. I haven't broken it down. But in my lifetime I would say over 4,000.

Q. Over what? I can't hear you.

A. Over 4,000.

Mr. Bullivant: You may cross-examine.

Cross Examination by Mr. McDougall.

• • • •

Q. What is the fact, incidentally, with regard to a lens that you make in response to a prescription from a customer, say? Are you able to determine from an examination of the lens itself or from a reading of the prescription whether it is a lens that conforms to the cornea for which it is prescribed over its entire surface?

A. No.

Q. So one can fairly say that you, as a manufacturer, in carrying out the prescriptions that your customers send in to you, had no way of knowing in any given instance whether you were operating under one patent or another or operating under no patent at all; isn't that so?

A. I can't make that judgment.

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In the Supreme Court of the United States

OCTOBER TERM, 1966

No. 785

GEORGE H. BUTTERFIELD, SR.,

Petitioner,

v.

THE PLASTIC CONTACT LENS COMPANY, a corporation,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

PETITIONER'S REPLY BRIEF TO RESPONDENT'S BRIEF IN OPPOSITION

COLLINS MASON,
811 West Seventh Street,
Los Angeles, California 90017,
R. R. BULLIVANT,
DOUGLAS G. HOUSER,
527 Pacific Building,
Portland, Oregon 97204,
Attorneys for Petitioner.

STEVENS-NESS LAW PUB. CO., PORTLAND, ORE. 12-66

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TABLE OF AUTHORITIES CITED

CASES

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B. B. Chemical Co. v. Ellis, 314 U.S. 495 (1942)	7
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ARGUMENT

Respondent's brief employs the same diversionary argument which, petitioner submits, led the Court of Appeals below to reject the amply supported findings of the trial court, and unduly to stretch the rationale of *Automatic Radio Mfg. Co.* v. *Hazeltine Research, Inc.*, 339 U.S. 827 (1950), by sanctioning a patent royalty practice which this Court has repeatedly held to be in violation of the antitrust laws.

THE SCOPE OF THE PATENTS

Disregarding its many distortions and misstatements of the record, which it is not deemed necessary here to point out, respondent's argument seeks to focus this Court's attention on peripheral considerations of patent interpretation which long since have been concluded between the parties by the Consent Judgment in the prior patent action (R. 11-14, F. 22 Appendix D to the Petition for Writ of Certiorari, pages 49a to 50a).

The only extent to which the peripheral element of patent scope is here at all relevant is whether respondent's Tuohy patent covers petitioner's lens or whether petitioner's Butterfield patent covers respondent's lens, and that question long since has been concluded by the aforementioned Consent Judgment in the former patent action between these parties. The trial court below merely fortified the accuracy of that conclusion by pointing out that the new item of prior art before said court for the first time in any litigation, Pl. Ex. 68; R. 476, shows both patents to be for relatively different improvements in an old art. Nevertheless, in respondent's attempt to divert the Court's attention from the real question involved, its brief devotes its argument to those peripheral questions.

It is believed sufficient to point out that neither of the cases mentioned at page 2 of respondent's brief involved the lens of petitioner's patent; and that the

only case involving a claim that respondent's patent covers petitioner's lens was concluded in the negative by the before mentioned consent judgment. Respondent appears to contend that all contact lenses are within the scope of its patent but such a contention is obviously false and rebutted by the record.

It is important to note, on the question of patent scope raised by respondent, that *both* the trial judge in his well considered Findings of Fact and the Ninth Circuit Court of Appeals in its opinion defined the respective scope of each patent essentially the same.

Said the trial judge as to Butterfield (R. 107-108; F. 7(b), Appendix D to Petition for Writ of Certiorari, pages 38a-39a):

> "The Butterfield lens is also substantially parabolic on its concave side, so that it follows closely the shape of the cornea. . . . This relationship to the cornea is brought about by the concave surface of the lens being defined by at least two concentric curves of relatively different radii of curvature. The lens of the Butterfield Patent is known in the trade as the 'bi-curve conforming type.'"

The Ninth Circuit Court of Appeals opinion said (Appendix D to Petition for Writ of Certiorari, page 21a):

> ". . . the finally acquired Butterfield patent generally discloses a contact lens with two or more concentric curves on the inner surface, designed to conform to the eye's underlying curvature throughout the area covered by the lens."

As to Tuohy, the trial judge said (R. 108; F. 7 (c), Appendix D to Petition for Writ of Certiorari, page 40a):

> "The Tuohy Patent, on the other hand, describes and claims a lens whose concave surface is defined by a single spherical curve of a radius 'flatter,' or of sufficiently longer radius than that of the cornea so as to provide a gradually increasing clearance or tear space between the lens and cornea radially outwardly from the center."

As to Tuohy, the Ninth Circuit Court of Appeals opinion said (Appendix D to Petition for Writ of Certiorari, page 20a):

> "The Tuohy patent calls for a contact lens which, on its inner surface, has a curve of greater radius than the portion of the eye which it covers. This is to provide 'a small but gradually increasing clearance' between the lens and the tissue of the eye, thus allowing for lubrication which is claimed to be desirable."

Thus, respondent's contention that its patent is a "pioneer" and entitled to a liberal construction is immaterial for although the trial judge and the appellate court below disagreed on whether respondent's patent was a "pioneer," both the trial judge and the appellate court agreed on the scope of the patents. The two types of lenses are separate and distinct.

THE WIDESPREAD TRADE USE OF THE BUTTERFIELD-TYPE LENSES

The widespread trade use of the Butterfield-type lens is well established by the findings and evidence, both in the form of trade witnesses (R. 129; F. 44-45; Appendix D to Petition for Writ of Certiorari, pages 60a-69a) and trade literature (Pl. Ex. 104A to 104Y, R. 372). Plastic licensees holding no Butterfield license and many others made Butterfield-type lenses in large volume (R. 108, 147-148, 148; F. 8, 62, 63; Appendix D to Petition for Writ of Certiorari, pages 40a-41a, 93a and 93a, respectively). Respondent is even a licensee under petitioner's Butterfield patent having purchased a license from petitioner for $50,000 in 1960 (R. 111, F. 14, Appendix D to Petition for Writ of Certiorari, page 44a).

RESPONDENT HAS FAILED TO JUSTIFY ITS ILLEGAL ROYALTY BASE

The only respect in which respondent's brief challenges the record facts supporting the "question presented" is the conclusionary statement at page 3 that respondent's accused royalty practice was justified by accounting difficulties, as to which the record is silent except as to the statement by one witness to the effect that one cannot tell the fitting relationship of a particular corneal lens to a particular cornea without knowing the specification of both. That is true of course, but what respondent's brief fails to point out

is that that is not the way fitting relationships are determined. Those from whom respondent exacts the accused royalty make lenses from doctors' prescriptions containing the corneal specifications.

No suggestion appears in the record why it was not feasible for respondent to exclude from its license base and reporting forms those quantities of unfinished and uncut lenses which are ordinary articles of commerce and which could not fall under the teachings of any patent, for which no prescription interpretation would be required to differentiate between finished and unfinished lenses. Respondent's report forms (see for example Pl. Ex. 101c, d, and e, R. 257) (Pl. Ex. 101c is set forth at App. p. 2a) obviously make no attempt at such a distinction but simply require a report from the licensee on the total number of lens devices sold irrespective of type or finished state.

Nor is there any evidentiary showing that any of those unpatented and unfinished pieces of lens material were required to be sold by the licensees with the condition that they could only be made into lenses covered by the Tuohy patent. Therefore, respondent cannot claim that it is entitled to collect royalty for those unpatented materials under the provisions of the patent statute relating to contributory infringement (35 U.S.C. § 271(c). See App., page 1a).

Respondent's brief also mentions that it made a reduction of the royalty rate when adopting the accused practice. However, except for the exception made in the *Automatic* case, supra, under the extra-

ordinary circumstances there involved, this Court has uniformly held that no patentee may exact any royalty on any product not covered by the patent.

Mercoid Corp. v. *Mid-Continent Investment Co.*, 320 U.S. 661 (1944); and

B. B. Chemical Co. v. *Ellis*, 314 U.S. 495 (1942).

Respondent's statement that its licensees "voluntarily" accepted a substitution of the license agreement containing the accused royalty base in lieu of the previous license contract calling for royalties only on corneal contact lenses covered by respondent's patent does not carry conviction when one reads the deceptive background history of respondent's patent licensing program as set forth in the Opinion of the United States Court of Appeals for the Seventh Circuit in *Solex Laboratories, Inc.* v. *Plastic Contact Lens Co.*, 268 F.2d 637 (1959), which opinion shows that respondent's predecessor in ownership of the Tuohy patent had deceived the industry into believing that the Tuohy patent covers all corneal contact lenses.

Furthermore, any such contention is irrelevant to the issue presented as any pretended acquiescence by respondent's licensees in the use of respondent's illegal royalty base does not excuse illegal trade restraint and in no way diminishes the damage to the public which the applicable antitrust legislation is intended to avoid. Respondent's contention suggests the existence of a conspiracy between it and its licensees causing substantial damage to the petitioner, other competitors in the trade and the public at large.

Respondent apparently seeks to create the false impression that this is a private dispute when in fact the issues raised by this Petition for Writ of Certiorari vitally affect the public and the entire contact lens industry.

RESPONDENT'S ATTACK ON THE BUTTERFIELD LICENSE AGREEMENTS AND ROYALTY BASE IS WITHOUT MERIT

In an attempt to justify its royalty base, which the trial court found to be illegal, respondent attacks the different formulas found in petitioner's license agreements which are in the record as parts of Plaintiff's Ex. 117 (R. 131). The trial court found, after an examination of the evidence, that the agreements are not in accord with respondent's contentions concerning them (R. 144, F. 57(c); Appendix D to Petition for Writ of Certiorari, page 89a) and that they did not require payment of a unitary royalty based on all lenses handled or to be handled by the licensee.

These agreements fell into three categories, one of which consisted of three licensees of petitioner, Titmus, Utah Optical, and Southern Contact Lens, all of whom held license agreements from petitioner prior to the settlement of the former litigation between the parties in April, 1962. These three agreements did not call for payment of a royalty based on five per cent of the gross sales of all lenses by the licensee. Instead, as appears from the Titmus agreement in Ex. 117, the five per cent of sales was limited to sales of petitioner's lenses by the following in

Par. 3 (Payments): "royalty of five percent (5%) of the gross sales price of all corneal contact lenses *coming within the claims of the above mentioned patent.*" As a part of the settlement each of these licensees obtained a free Tuohy license from respondent and was hence in a position to manufacture either Tuohy or Butterfield lenses without payment of double royalties.

The next class is the so-called "paid-up" license form. An example is the Vision Clear agreement in Ex. 117. In such agreements the licensee pays in cash or in monthly installments a flat total aggregate sum which on the face of the license agreement bears no formula relationship to past, present or future sales of the licensee or the number of units handled by it. Petitioner testified, without contradiction (Tr. 284-6), that his practice in arriving at the amount required to be paid is to ascertain the volume of the prospective licensee in the previous year, obtain a monthly average from this and multiply this by 37½¢ per lens. This monthly rate is then applied for determining the total royalty for the remainder of the life of the patent and the monthly payments or the total aggregate payment remain precisely the same whether the licensee's volume increases or decreases or completely terminates. Petitioner testified at Tr. 285:

> "Instead of charging them a dollar a pair or fifty cents, we discount it thirty-seven and a half percent so to allow for any lenses that they might make that might not come under my patent."

The third type is a unitary type which calls for

payment of a royalty at the rate of fifty cents per lens on lenses made under the teachings of the Butterfield patent. An example is the Frontier Contact Lens license in Ex. 117, which covers a royalty of "50 cents (50¢) for each corneal contact lens * * * *embodying the invention of said letters patent.*"

In any event, the record is undisputed that, as to all of petitioner's licensees he has provided them with a rubber stamp to be placed on invoices accompanying sales of unfinished lenses, requiring that the lenses sold by the licensee be finished only in accord with the Butterfield patent (R. 145; F. 57(c)(iv); Appendix D to Petition for Writ of Certiorari, pages 90a-91a). Some of petitioner's license agreements contain similar provisions. See, e.g., the above described Frontier Contact Lens form which provides in part:

"2. Licensee hereby agrees:

* * * * *

"e. in the event the licensee shall sell any of said corneal contact lenses in an unfinished state to be subsequently finished in accordance with the invention of said letters patent, licensee agrees to display on the envelope or container thereof the following printed notice:

"'To be finished only in accordance with United States Letters Patent No. 2,544,246 and Canadian Letters Patent No. 487,880.'"

As to the so-called "paid-up" license agreement forms of petitioner, the record is likewise clear and uncontradicted that petitioner, before soliciting a man-

ufacturer, first determined, by the purchase of sample lenses, that the manufacturer was making a Butterfield type of lens (R. 128-129; F. 43; Appendix D to Petition for Writ of Certiorari at pages 67a-68a) and that the licensee's future operations are in no manner geared to a royalty based upon his future volume (R. 144-145; F. 57(c)(ii); Appendix D to Petition for Writ of Certiorari, at pages 89a-90a).

The trial court found and held, on the basis of oral and documentary evidence from trade witnesses, that respondent's accused conduct substantially restricted competition in interstate commerce, and petitioner submits that the appellate court below acted erroneously in disregarding those findings in the absence of contrary evidence.

CONCLUSION

Petitioner therefore respectfully submits that his petition should be granted, and that the public interest cries out for a clarification of the rationale of the *Automatic Radio Mfg. Co.* v. *Hazeltine Research, Inc.* case, supra.

Respectfully submitted,

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APPENDIX

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APPLICABLE STATUTE

35 U.S.C. 271(c) provides:

"Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer."

PLAINTIFF'S EXHIBIT 101-C

LICENSEE ROYALTY REPORT*

To: The Plastic Contact Lens Company
37 South Wabash Avenue
Chicago 3, Illinois

Atten: William E. McGovern

Enclosed is monthly report and payment of royalty on lenses sold for the period beginning December 1, 1961 and ending December 31, 1961.

		Royalty Price	Payment
Number of lenses (devices) manufactured & sold	398		
Number of lenses (devices) returned for credit	12		
Net number of lenses (devices) manufactured & sold	386		

From: _____

_____

_____

*Immaterial, illegible portions not reproduced.